Austria	Sch26	Indonesia	Rp3100	Philippines	Pso40
Bahrain	Din0.700	Iran	Rls210	Poland	Zl 9,000
Belgium	BFr65	Israel	Shk3.50	Portugal	Esc150
Cyprus	C£0.90	Italy	L2000	Qatar	QR9.50
Denmark	DKr12.00	Jordan	Fils1000	S.Arabia	SR7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM8.50	Lebanon	L£400.00	Spain	Pta165
France	FFr7.50	Lux	LFr55	Sweden	SKr12
Germany	DM2.60	Malaysia	M$4.25	Switz	SFr2.50
Greece	Dr150	Morocco	MDh8.00	Thailand	Bht60
Hong Kong	HK$12	Neth	Fl 3.25	Tunisia	Din0.800
Hungary	Ft107	Nigeria	Naira10	Turkey	L1400
Iceland	IKr160	Norway	NKr12.00	UAE	Dh7.00
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Friday June 22 1990

D 8523A

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Why US cut contacts with the PLO
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World News

Fire started by lightning races through Soviet oilfield

A huge fire started by lightning and fed by driving winds was racing through a complex of oil storage tanks in the Soviet Union's Tyumen oilfield in western Siberia, Tass reported.

The agency said 160 firemen had been airlifted to the scene and a train with tons of foaming agent was on its way.

Ceausescu sentence

The brother of executed Romanian dictator Nicolae Ceausescu was sentenced to 15 years' jail in Bucharest for attempted murder and instigating genocide after a three-month trial.

British press warned

UK Home Secretary David Waddington warned the British press it had a last chance to regulate itself or face government legislation. Page 8

US defence cuts

The US Defence Department asked Congress to cancel 68 US military construction projects totalling $327.4m, most of them in West Germany, and continued a worldwide freeze on $6.7bn in other projects.

Bomb at RAF base

A bomb hidden in a rucksack exploded at a Royal Air Force base in north-west London within minutes of the building being evacuated. The explosion caused damage but there were no casualties.

Judges on strike

Up to 6,000 French judges, investigating magistrates and prosecutors demanding more funds and better working conditions stopped work throughout the country for the first time.

Basques can stay

Spain's constitutional court overturned orders expelling four separatist Basque MPs from parliament. They were ordered out for qualifying their oath of allegiance. Page 2

Belgian pork banned

France has banned imports of Belgian pork after a case of common swine fever was discovered in a herd near the French border.

Dutch deaths charge

Paul Hughes, an Irish Republican Army suspect, was charged with the killing of two Australian lawyers shot dead in the southern Dutch town of Roermond, last month.

Zambia food protest

Protest marches, panic buying and a threat of labour unrest has followed the doubling of the price of Zambia's staple food, corn meal. Page 6

Blasts hit Athens

Time-bombs wrecked three cars in a wealthy Athens suburb where some foreign diplomats live. Nobody was hurt.

Statuette stolen

A priceless 7,500-year-old statuette of an Anatolian goddess has been stolen in Vienna as it was being readied for display in a show of Turkish museum pieces.

Haitian shootings

At least four gunmen opened fire at a meeting between Haitian trade unionists and the ruling Council of State, killing one man and injuring at least two people.

Relief to resume

The Red Cross is to resume relief operations in war-torn Ethiopia after a two-year break. A team of surgeons has already arrived in Addis Ababa.

$2.9m first edition

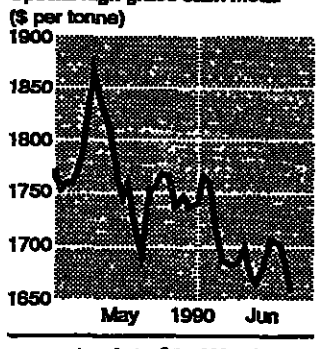
A book dealer from New Mexico paid $2.9m at a London auction for a four-volume first edition of Audubon's The Birds of America dating from 1827. William Talbot said it was for a client he declined to name.

Business Summary

Du Pont to freeze plans for some CFC substitutes

Du Pont, biggest US chemicals company, has frozen plans to spend an estimated $350m on plants in North America, Europe and Japan to produce some alternatives for chemicals which damage the ozone layer. Page 22

ZINC prices recovered in kerb trading on the LME after falling below the important chart support point of $1,600 a tonne for three-month metal. Commodities, Page 32



WEST GERMANY has given the green light for a guaranteed DM5bn ($2.97bn) loan to the Soviet Union. Page 22

MCDONNELL DOUGLAS, US military contractor, plans extensive job and cost cuts. Page 25

JACOBS SUCHARD, Swiss chocolate and coffee group, denied a takeover by Philip Morris of the US, as trading in the company's shares was suspended. Page 23

BUSH Administration row has broken out over regulations for oversight and screening of foreign takeovers of US companies. Page 22

NIGERIAN National Petroleum Company awarded contracts worth nearly $1bn for second phase of petrochemicals project. Page 4

KANEBO, Japanese company and world's largest textile group, suffered a sharp fall in consolidated pre-tax profits from Y20.7bn ($134m) to Y13.4bn in the year ended March 31. Page 25

FRENCH state-owned companies need more freedom to open their capital to private investors, said government-controlled insurance group. Page 2

ANGLO, UK company controlled by Sir James Goldsmith and companies in Lord Rothschild's stable, had their shares suspended. Page 23; Lex, Page 22

NISSAN to set up 36 car dealerships in East Germany in one of first moves by a Japanese company to take advantage of German union. Page 4

BOND CORPORATION, main company in Alan Bond's Australian corporate empire, believes it could be forced into liquidation unless it wins bondholders' votes. Page 23

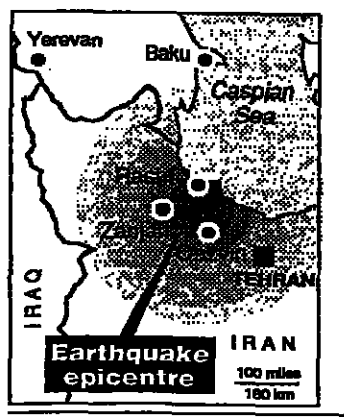
LIGGETT Group, US tobacco company, plans to change its name to Brooke Group and divide its current businesses into separate tobacco and marketing subsidiaries. Page 25

GENERAL ELECTRIC Company of the UK may be one of several international groups negotiating to supply China with airborne early-warning equipment. Page 6

INDIA announced curbs on consumption of petroleum products to reduce oil imports and save Rs8.5bn ($495m) in hard currency. Page 6

ABERFOYLE, Melbourne-based metals producer, has lifted net profit for the May half by more than 250 per cent from A$5.55m ($4.33m) to A$19.78m. Page 25

ANGLOVAAL Insurance Holdings, large new life insurance company, has been formed in the South African Anglovaal group. Page 25



At least 1,900 dead in Iranian earthquake

IRAN'S worst earthquake in at least 12 years flattened dozens of villages in the north of the country yesterday, leaving thousands of Iranians dead or injured in the wreckage of their homes, write Kamran Fazel in Tehran and Victor Mallet in London.

The official Iranian media said at least 1,900 people were killed when the earthquake, measuring between 7.3 and 7.7 on the Richter scale struck 200km north-west of Tehran, shortly after midnight.

In Geneva, the United Nations Disaster Relief Organisation (UNDRO) said that it had reports of more than 3,700 people dead and that Iran had requested international help.

Britain, France and the US were among the countries which offered sympathy and emergency assistance yesterday. President Hashemi Rafsanjani declared three days of mourning as rescue operations began, and Ayatollah Ali Khamenei, the country's spiritual leader, flew to the region and declared: "Almighty Allah has put us to the test once again."

About 25,000 people died in an earthquake of similar magnitude in eastern Iran in 1978.

Landslides triggered by the earthquake buried houses and blocked most of the roads leading to the stricken area by the Caspian Sea. The worst affected provinces were Gilan and mountainous Zanjan, where 1,000 people were said to have been killed in the village of Ab-Dar. The shock was felt as far away as Tehran and Baku in Soviet Azerbaijan, but no casualties were reported in either city.

Iranian television showed men and machines clawing at the rubble of collapsed buildings in Rasht, the capital of Gilan. Residents, contacted by telephone later in the day, said 40 people had died in one apartment block alone. At the time of the earthquake many Iranians were at home watching World Cup soccer on television.

Military and civil aircraft ferried the injured to hospitals in Tehran, and appeals for blood donations and contributions to an emergency fund were broadcast over state radio.

British plan for 'hard Ecu' meets hostile EC response

By Our Economics and Foreign Staff

BRITAIN'S proposals for a new "hard Ecu" as an alternative to existing plans for economic and monetary union (EMU) in *Europe drew a lukewarm to* hostile response from the UK's European partners and the City of London yesterday.

The Italian and Dutch finance ministries denounced the British plan for the Ecu as a parallel currency as inferior *to the Delors Committee's pre*scription of institutional progress towards EMU with its final goal of a single European Community currency and central bank.

In Paris, Mr Pierre Bérégovoy, French Finance Minister, threw cold water on the substance of the British plan although he welcomed the spirit of the proposals.

In the City of London, "tepid" and "bewildered" were two of the words Ecu specialists used to illustrate the financial markets' response to proposals for the hard Ecu.

EC central banks yesterday refrained from comment on the proposals put forward by Mr John Major, Chancellor of the Exchequer, in his speech on Wednesday because the Bank *of England had asked them to* study the plan carefully before pronouncing on it.

The Bank, meanwhile, *stepped into the void, issuing* an expanatory document underlining how the British proposals would apply monetary *discipline in the EC and* safeguard against the inflationary perils normally associated with a parallel currency.

At a *press meeting in London*, Mr Robin Leigh-Pemberton, the Bank of England Governor, hailed the proposals as "a genuinely constructive and imaginative way forward" to deal with the problem of bridging from the end of stage 1 of the Delors process, to which all EC countries have agreed, to stage 3 which culminates in EMU.

Thoughout Europe, however, many officials and commentators echoed the views of Mr Bérégovoy, who said the scheme "could complicate things," but added that the declaration was "a step forward" because it showed that *the UK Government was now* taking "an active and positive part in the discussions."

Mr Jacques Delors, the EC *Commission president said the* plan showed that the Chancellor was not against stage 3.

But in Brussels, EC officials *expressed some bafflement as* to how development of a hard Ecu would increase exchange rate stability.

Overall, they said that the UK plan carried none of the macro-economic benefits of the Delors plan for a single currency such as the elimination of the transaction costs and exchange movement risks that investors and traders presently bear.

One of the few positive reactions came from Sir Leon Brittan, the senior British commissioner.

He welcomed the UK plan as "specific and positive" and as showing that early British entry *into the European Mone*tary System's parity grid could now be taken for granted.

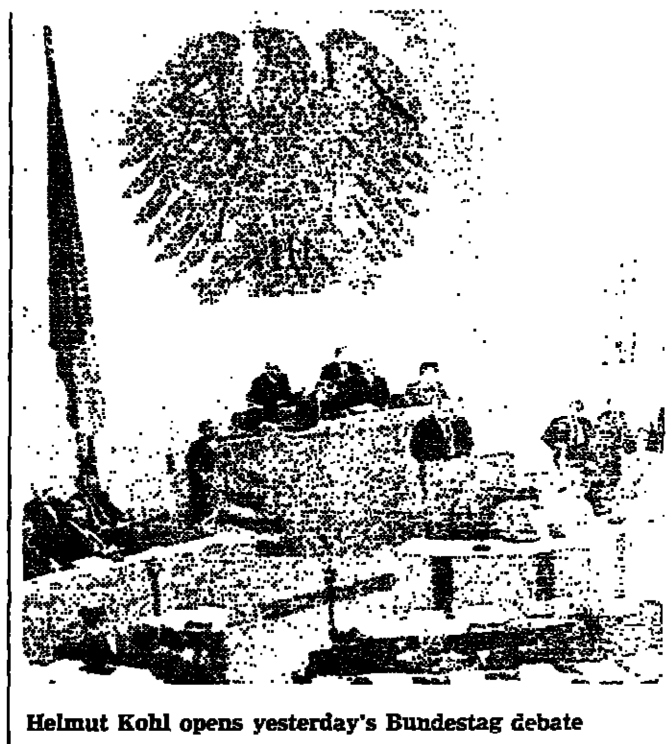
"It will be taken seriously, *but not as seriously as it would* have done if it (the UK) had actually said that in the end this would lead to a common *currency. That's what EMU is* all about," said Sir Leon in a radio interview.

In the City of London, ana*lysts were divided over the* question of whether the plan for a 13th European currency was technically feasible.

But on markets, sterling moved up on the prospect of full UK entry to the exchange rate mechansim of the EMS.

"The markets are not waiting with bated breath for more details of the hard Ecu," said one gilts trader, a breed threatened with possible extinction should a single European currency ever evolve.

Haughey's European role fails to move domestic audience, Page 2; Bank of England statement, Page 7



Helmut Kohl opens yesterday's Bundestag debate

Bonn and E Berlin open way for union

By David Marsh in Bonn

THE East and West German Parliaments yesterday conclusively opened the way for German unity by approving economic and monetary union from July 1 and confirming the inviolability of Germany's post-war border with Poland.

Chancellor Helmut Kohl, opening a debate in the West German Bundestag held in parallel with a separate session of the Volkskammer in East Berlin, declared: "Poland's border with Germany, as it stands today, is final."

Yesterday's dual parliamentary votes fulfil key conditions for both the internal and the international aspects of merging the two Germanys. Mr Kohl admitted that what he called "one of the greatest structural tasks since the war" would require sacrifices from West Germans and hard work from those in the East.

Mr Kohl, speaking as his Government disclosed its intention to guarantee a DM5bn ($2.97bn) credit for the Soviet Union, said he had written to western heads of government asking them to back economic co-operation with eastern Europe.

Last night Mr Kohl, speaking after talks with Mr Jozsef Antall, the Hungarian Prime Minister, said he had discussed providing a government guarantee for a bank credit for Hungary. He would not confirm reports that Bonn would guarantee a DM800m loan.

Mr Kohl spelled out proposals for a "non aggression pact" between Nato and the Warsaw Pact as part of measures to adjust relations between the alliances to the prospect of

Continued on Page 22

Bonn go-ahead for loan to Moscow, Page 22

Thatcher sees no replacement for £

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher, Britain's Prime Minister, yesterday dismissed suggestions that the European Currency Unit would eventually replace sterling, providing a public glimpse of the fragile Cabinet compromise behind the plan to develop the Ecu into a common currency.

The Prime Minister emphasised that Britain's latest proposals for European Economic and Monetary Union (EMU) did not mark any retreat from her implacable opposition to the single currency favoured by most of the country's EC partners.

Her comments dismayed Conservative MPs who favour a more positive approach to closer European integration and prompted concern in Whitehall that they would undercut the credibility of the British scheme at next week's Dublin summit.

The Prime Minister told the House of Commons that the blueprint unveiled this week by Mr John Major, the Chancellor, did not signal approval of the single EC currency and central bank envisaged by the Delors plan for EMU.

"It says specifically that we do not," she said.

She then added that the common currency Britain had called for meant only that: "Those who wish to use the Ecu in place of their own currency may. I do not believe we shall."

Mr Thatcher was careful to stress her support for Mr Major's plan, which focuses on the creation of a European Monetary Fund and the widespread use of the Ecu as a "hard" parallel currency.

Her *tone, however, appeared* in marked contrast to that of both the Chancellor and Mr Douglas Hurd, the Foreign Secretary.

They have both emphasised that while the scheme would leave the final decisions with national governments, it could lead, over time, to the creation of a single currency.

Earlier this week Mr Robin-Leigh Pemberton, the Governor of the Bank of England, suggested they could represent an "intermediate" step towards the full economic and monetary union envisaged by the Delors scheme.

Yesterday Mrs Thatcher, facing questions from Mr Neil Kinnock, the Labour leader, pointedly declined to endorse

continued on Page 22

Leaders, Page 20; Major sets out a new role for Ecu in Europe, Page 7; Lex, Page 22; Markets, Page 33

De Benedetti poised to regain control of Mondadori group

***By Haig Simonian** in Milan*

MR CARLO DE BENEDETTI, the Italian industrialist and financier, yesterday moved a big step closer to regaining control of Mondadori, Italy's leading publisher, following a decision by a special arbitration panel in his favour.

In a 114-page report, the arbitrators ruled that Mr De Benedetti is the rightful owner of a 25.7 per cent package of shares in Amef, the holding company which owns a bare majority of the shares in Mondadori.

The shares, *formerly held by* the Formenton family, lie at the heart of the clash between Mr De Benedetti and Mr Silvio Berlusconi, *the Italian* entertainment magnate, for control of the publishing house. Mr De Benedetti agreed to buy the *shares and it was the Formen*ton's decision subsequently to sell them at a higher price to Mr Berlusconi which triggered *the crisis.*

Mr De Benedetti is now more strongly placed than ever to push through his views at a *series of Mondadori* shareholders' meeting due on June 29.

If all goes to plan, his CIR holding company should be able to reassert control by pushing through a special Mondadori rights issue and then seeking to elect a new board of directors, thereby deposing Mr Berlusconi from the chairmanship.

However, CIR is still looking for a negotiated settlement with Mr Berlusconi. Rejecting the *idea* of an *immediate* witch-hunt of Berlusconi appointees at Mondadori, Mr Corrado Passera, one of Mr De Benedetti's key lieutenants, said "we have to get back into the company and see how it is doing."

The recent period under Mr Berlusconi had been "more destructive than constructive." However, CIR's first priority *was to restore Mondadori to an* even keel as quickly as possible, he said.

Thus CIR has proposed to *buy the bulk of Mr Berlus*coni's Mondadori shares, subject to the condition that Mondadori will not be split *between the two parties*, as earlier suggested. The De Benedetti side has also insisted that it will only pay its original price for the Formenton's Amef stake, rather than the higher sum paid by Mr Berlusconi.

To seal their pact, CIR has put forward the creation of a number of joint ventures with Mr Berlusconi, notably regarding Mondadori's magazine interests.

At a hastily called press conference in a response to the arbitrators' decision, Mr Luca Formenton, an ally of Mr Berlusconi, tried to defend the sta*tus quo in the group by claim*ing the contract of sale to Mr De Benedetti was null and void.

Nevertheless, following the arbitrator's ruling, Mr De Benedetti should have almost 53 per cent of the shares of Amef, along with 78 per cent of Mondadori's ordinary shares and 79 per cent per cent of its privileged stock.

Mr Passera claimed CIR would have no difficulty in meeting the cost of buying out the bulk of the Berlusconi stake, including taking up its share of Mondadori's planned rights issue.

CONTENTS

No room for manoeuvre for the US over S Africa sanctions

The recent contradictory statements on South African sanc*tions by Marlin Fitzwa*ter, President Bush's Press Secretary, are indicative of the US dilemma in trying to both reward F W de Klerk and appease Nelson Mandela

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MARKETS

STERLING
New York lunchtime:
$1.7243
London:
$1.7255 (1.7240)
DM2.9 (2.8900)
FFr9.7325 (9.72)
SFr2.44 (2.4375)
Y267.25 (265.5)
£ *Index* 91.0 (90.4)

GOLD
New York: Comex Aug
$352.8
London:
$349.0 (348.0)

N SEA OIL (Argus)
Brent 15-day Aug
$15.6 (15.725)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime:
DM1.67875
FFr5.636
SFr1.4145
Y154.8
London:
DM1.68 (1.6770)
FFr5.64 (5.6375)
SFr1.4145 (1.414)
Y154.85 (153.95)
$ Index 67.5 (same)
Tokyo close:Y154.60

US lunchtime rates
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills:
yield: 8.02%
Long Bond:
$102\frac{1}{2}$
yield: 8.51%

STOCK INDICES
FT-SE 100:
2,370.3 (−0.9)
FT Ordinary:
1,908.3 (+4.9)
FT-A All-Share:
1,168.67 (−0.1%)
New York lunchtime:
DJ Ind. Av.
2,882.43 (−12.87)
S&P Comp
358.21 (−0.89)
Tokyo: Nikkei
32,087.27 (−0.49)

LONDON MONEY
3-month Interbank:
closing $14\frac{23}{32}$% (same)
Liffe long gilt future:
Sep $85\frac{11}{16}$ ($86\frac{1}{8}$)

French state companies tug at government reins

By William Dawkins in Paris

FRENCH state-owned companies need more freedom to open their capital to private investors, according to the head of the leading government-controlled insurance group, Union des Assurances de Paris (UAP).

Mr Jean Peyrelevade, UAP's chairman, has urged the Government to re-think its policy of allowing neither privatisations nor nationalisations, on the grounds that this is seriously restricting French state-owned companies' ability to raise equity capital to fund expansion.

This latest contribution to the long-running debate on the funding of state-owned companies is significant, coming from one of the architects of nationalisation in the first Socialist Government.

Mr Peyrelevade told a private Paris seminar that the Government should be prepared to see its stake in state companies fall significantly.

"It is the only remedy for the weakness of our system," he was reported as saying. The capital structure of French public companies was "extraordinarily small and weak compared to other European, and certainly world, forces."

Under current rules, French state companies can issue up to 25 per cent of their equity in the form of non-voting shares. Some have long since reached the limit, so that they now have to stretch their bankers' ingenuity to the limit to find other ways of raising funds.

Mr Peyrelevade cited UAP's own example. The insurance group, France's largest, has an equity portfolio of FFr50bn (£5.14bn). But it was no longer able to participate in large capital increases because "we have exhausted our means," he said. UAP officials said Mr Peyrelevade did not wish to elaborate further.

● The legal system yesterday ground to a near halt as most of France's 6,200 magistrates staged a 24-hour go-slow in protest against alleged erosion of the judicary's powers, lack of resources and poor working conditions.

The protest also reflects magistrates' unease that their independence has been jeopardised by a law, passed last year which included an amnesty for certain people suspected of using corruption to raise cash for political parties.

Haughey's European role fails to move domestic audience

The average Irish person feels more than somewhat removed from the EC, writes Kieran Cooke

IN A FEW days it will all be over. Ireland will relinquish its European Community presidential role shortly after next week's Dublin summit. A final sprint and Mr Charles Haughey, the Irish Prime Minister, will hand over the EC baton to Mr Giulio Andreotti, his Italian counterpart.

The consensus within the Community seems to be that the Irish have done well during their six months, coping with what has been an exceptionally busy period.

There have been the upheavals in eastern Europe. There has been the question of German unity and the accession of East Germany to the Community. Then there have been the delicate negotiations surrounding European monetary union (EMU) and the more controversial but less defined moves toward European political union.

There have also been the as yet unresolved arguments over South African sanctions, rows about mad cow disease, the Lithuanian question to deal with, drug trafficking and terrorism in the EC and transport liberalisation.

Irish civil servants, particularly in Foreign Affairs and Finance, have worked long into the night to cope with the swelling EC workload.

Mr Haughey, like an anxious host fussing over his dining arrangements, has just finished his second sortie in as many months round Community capitals in order to ensure the smooth running of an EC summit.

The "begrudgers" in Ireland have accused Mr Haughey of overplaying his EC role and at times letting rhetoric run ahead of reality.

"The cohesive European Community we are shaping . . . is not only a guiding light for the other nations of Europe, but the greatest force for good the world has ever known," said Mr Haughey back in January.

But while Mr Haughey and Ireland have been earning the praise of the EC gallery, the audience back home has been largely ignored. Within Ireland there is little talk about the new Europe.

In part this is to do with geography. Ireland is the least European of Community countries. It has traditionally looked more to the US than to Europe. When the Channel tunnel is built, Ireland will be the only EC country without a direct connection to the European continent. Unlike other EC countries, it is not in any way cosmopolitan. The level of language skills in Ireland is even more abysmal than in the UK.

Undoubtedly the Irish feel the EC is a good thing. This is mainly due to the financial benefits Ireland has received since it joined the Community in the early 1970s. Up to 1988 Ireland had received I£8.7bn (£8.1bn) from various EC funds while contributing I£1.6bn to the Community's coffers.

In the 1989-93 period Ireland will be receiving I£2.86bn from EC structural funds, an amount which, according to the Irish Government, exceeds that given to any other region in the less developed category of EC countries. Ireland's politicians have repeatedly emphasised the financial benefits of EC membership but have been less willing to inform about other aspects of the Community.

During the Irish presidency there has been no debate in the Irish parliament about political union or about the consequences for the Irish economy of full monetary union.

Repeated opposition calls for such a debate have been turned down by the Government. Instead Mr Haughey has confined himself to a series of parliamentary statements on his progress through Europe.

The "begrudgers" in Ireland have accused Mr Haughey of overplaying his EC role

Questions have been asked about how moves towards European political union will affect Ireland's neutrality: Mr Haughey, say the opposition, has been "remarkably coy" with his answers.

There seems to be an attitude common in Ireland that the EC, with its rules and regulations, its controls and its open market, will not overtly influence events within the country.

There might be *angst* in countries like the Netherlands about the consequences of German unity and growing German economic power. But such worries seem a long way from Irish shores.

In 1987 the Irish imposed a "48 hour" rule to curtail shoppers from the Republic going to Northern Ireland to take advantage of lower prices. Earlier this month the European Court declared the rule illegal. Yet the Irish still impose the rule and have given no indication when it will be lifted.

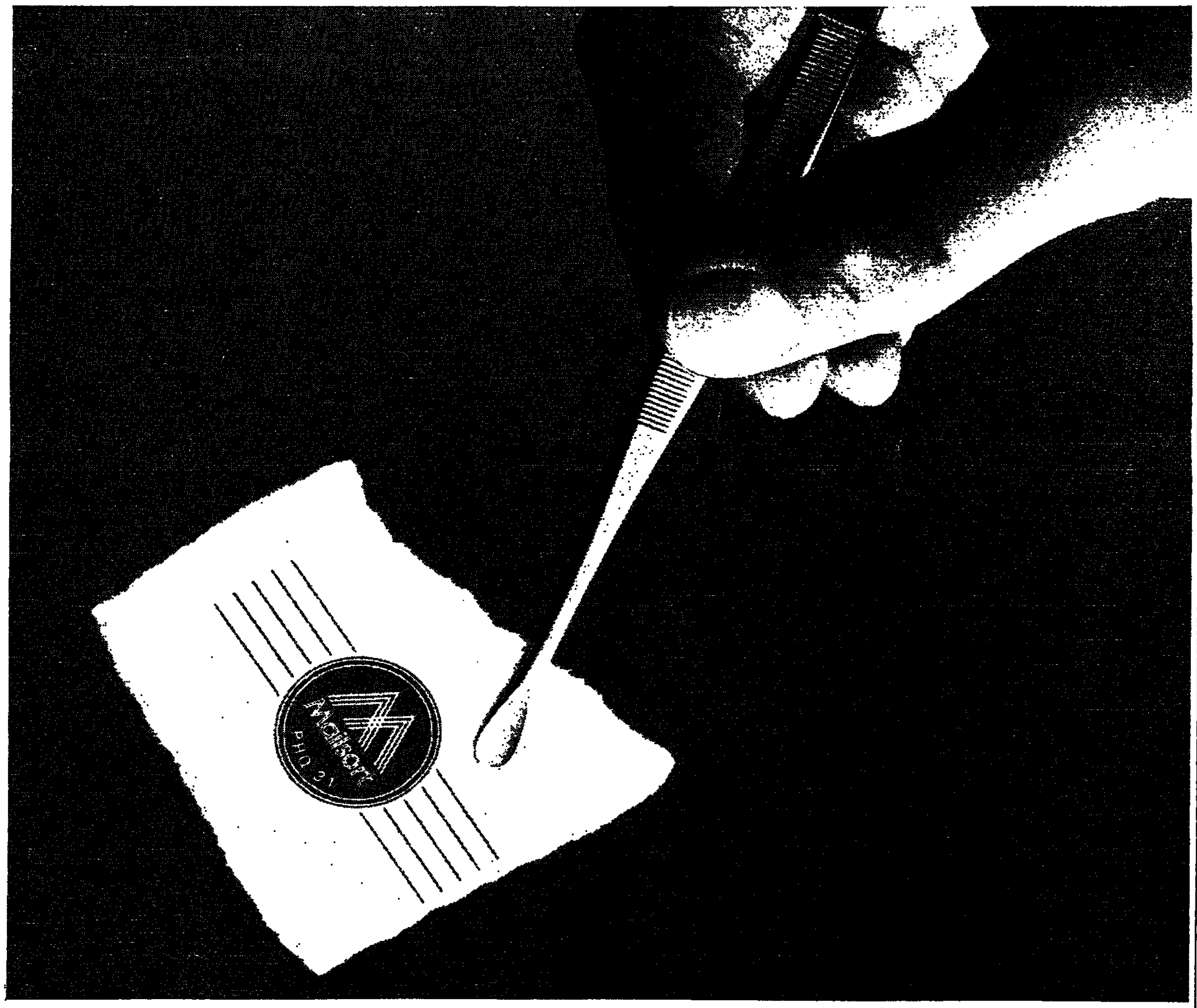
Ireland has made the environment one of the themes of its presidency. Mr Padraig Flynn, the Environment Minister, has skilfully piloted a series of directives on the environment through the EC

But environmentalists demonstrating against a new road scheme back in Mr Flynn's constituency of Castlebar were given short shrift The bulldozers were called out as Mr Flynn railed against those who wanted to turn Ireland into "a wildlife sanctuary".

There is little local government in Ireland. Some sections of the population are deeply resentful about what they see as a lack of government consultation concerning various EC funded schemes, particularly in relation to structural fund spending. They are also suspicious that such funds will be used for political ends.

The home crowd in Ireland has still to be convinced that there is some reality behind all the EC rhetoric

Sanctions debate. Page 4



Unions set strike date in Italy

ITALY'S three main union confederations yesterday named July 11 as the date of the nation's first general strike over a conflict with employers since 1982, writes John Wyles in Rome.

They are protesting against the refusal of Confindustria, the organisation of Italian industrialists, to negotiate a new contract for the engineering industry until the unions have agreed on reforms to the pay bargaining system.

In the meantime, engineering and chemical workers have called a one day stoppage on June 27 over the pay deadlock.

Capital controls eased in Portugal

The Banco de Portugal yesterday announced the further liberalisation of capital movements effective from July 1, writes Patrick Blum in Lisbon.

The decision, which comes well ahead of schedule for Portugal, is "an indication of our commitment to European monetary union," said Mr Jose Alberto Tavares Moreira, the governor. It affects Portuguese portfolio investment in foreign-listed securities, but not external credit.

Portugal had until 1993 to comply with European Community directives on freeing capital flows and financial services, though it has won a longer reprieve for short-term capital movements which are not expected to be fully liberalised before 1994-95.

Accord on Bulgarian bank debt expected

Western bankers and Bulgarian officials are expected to decide in London today on a debt refinancing package following the recent suspension by the Bulgarian Foreign Trade Bank of all outstanding payments on principal for the forseeable future, writes Judy Dempsey.

The Bulgarian delegation hopes that repayments on the country's $10.3bn hard currency debt can be postponed until 1993.

All repayments, except interest, to Bulgaria's 187 creditors were abruptly suspended last March. Bulgaria was due to repay $3.6bn this year, $1.8bn in 1991 and $800m for 1992. Instead, it will now repay only the interest which for this year totals $600m.

Western bankers are now cautiously optimistic that Bulgarian statistics, either unavailable or unreliable in the past, , can now be taken seriously in making an assessment of these issues.

European airlines carry more traffic

The 21 airlines of the Association of European Airlines carried 11 per cent more international passengers in April compared with the same month last year, writes Paul Abrahams. The increase was helped by a late Easter.

Within Europe itself passenger volumes increased 15.5 per cent, while capacity increased only 10 per cent. This meant that the proportion of seats filled by paying passengers improved by 3 per cent to 64 per cent.

However, growth in airfreight handled by AEA airlines fell to only 2.2 per cent in April compared with the same month last year. This is the lowest figure for six years.

Basque expulsions overruled

By Peter Bruce in Madrid

SPAIN'S constitutional court yesterday overturned orders expelling four separatist Basque MPs from parliament. It is an important ruling that may make it possible for nationalist politicians to refuse to swear unqualified allegiance to the Spanish constitution.

The court said that four members of Herri Batasuna (HB), the political wing of Eta, the Basque terrorist group, could resume their seats in the Cortes in Madrid. Elected in last October's general elections, they were expelled in December for qualifying their oath of allegiance with the words *por imperativo legal*, or "by dint of legal exigency".

In theory, the ruling means that Prime Minister Felipe Gonzalez's Socialist Party no longer has a Cortes majority as the presence of HB, if it takes up its seats, gives opposition parties exactly half the 350 seats in the chamber.

One HB deputy, however, was in jail for collaborating with Eta at the time of the swearing in. He was briefly given parliamentary immunity but escaped from the police after being expelled from the chamber.

Mr Gonzalez can still count on the support of conservative Basque and Catalan nationalist MPs in the short term, but the judgment opens up possibilities for these same nationalists to strengthen their regional credentials by refusing to take the full oath.

The conservative Basque Nationalist Party (PNV), which governs the Basque country in coalition with the Socialists, is already musing about reviving a formula used by Basque nobles in the Middle Ages to accept, but not necessarily submit to, Spanish laws.

It is conceivable that even military conscripts may be able to use the words *por imperativo legal* when taking their oaths of allegiance.

Amid signs that nationalist extremism is again growing in popularity in Spain, the court ruling yesterday is a highly threatening challenge to the big national parties.

The nationalist Partido Andalucista is expected to increase its vote greatly in regional elections in Andalucia tomorrow and the Socialists are going to be sorely tested in Basque regional elections in November, when they will be struggling to hold on to enough seats to stay in Government with the PNV.

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European police meet on terrorism fight

EXTRADITION was one of two main items on the agenda of a meeting yesterday between senior policemen and legal officers from Belgium, the Netherlands, West Germany and the UK, writes Tim Dickson in Brussels.

Called to co-ordinate the fight against terrorism in the wake of recent arrests of IRA suspects on the Belgian/Dutch border, the meeting at Turnhout in northern Belgium also considered the issue of ballistic research.

A police spokesman said he could give no other details, but confirmed that about 25 investigators and prosecutors had attended the meeting.

Ms Donna Maguire, who was arrested in Belgium last Saturday and who is being held in custody in Antwerp, is to appear at a Turnhout court today charged with carrying a false passport and using it, giving a false name, allegedly being in possession of a weapon, and associating with known criminals.

Honecker under investigation

Mr Erich Honecker, the former East German leader, is under investigation by the West German judicial authorities on suspicion of having helped offer a haven to alleged terrorists, officials said yesterday, writes David Marsh in Bonn.

This follows the recent arrest in East Germany of eight suspected members of the Red Army Faction urban guerrilla group, who were allowed to take up residence with false identity papers by the Communist regime.

New contender for Russian party post

Mr Ivan Polozhkov, the conservative defeated by Mr Boris Yeltsin for the post of Russian president last month, emerged yesterday as a possible chief of the new Russian Communist Party, writes Leyla Boulton in Moscow.

The stocky, bespectacled, party boss from Krasnodar was showered with questions after his nomination from the floor at the party's founding congress, and his comments, peppered with humour, were met with rapturous applause.

One of several candidates, his obvious popularity was yet another sign of the predominance of orthodox Communists within the new Russian party. The election of a first secretary is expected some time today.

Company raided in Iraq deal probe

West German customs officials have raided the offices of a north German engineering company in connection with suspected illegal deliveries of rocket equipment to Iraq, officials said yesterday, writes David Marsh in Bonn.

Leifeld, owned by the Matuschka financial group, provided the searchers with a "considerable amount of material," said an official.

Poland's former industrialists press their claims

By Christopher Bobinski in Warsaw

AS POLAND prepares to embark on its controversial privatisation programme, a group of former owners of factories nationalised in 1946 has sounded yet another discordant note.

The Society of Polish Industrialists, made up of some 100 former owners or their heirs, is pressing the Government to recognise its members' claims.

Amid the antique furnishings in his Warsaw flat, one of the founders of the group, 67-year-old Mr Ludwik Grohman, argues that Poland's privatisation policies should not only seek to create new owners but reinstate the former ones.

Flanked by Mr Karol Whitehead, 77, one of the heirs to the Wedeh chocolate factory which is on the government's privatisation list, Mr Grohman states the moral and legal case for a simple return of private property.

"Now that we are a democratic and law-abiding state it doesn't seem right that the present Government should profit from the previous regime's booty," he says.

Mr Grohman has a claim on a fifth of a factory that was founded in 1827, and is now called Uniontex. It is still one of the largest textile factories in Lodz. Mr Grohman says: "We are a group of people who were brought up in a capitalist environment but who spent their lives working here after the war."

Count Jan Zamoyski, 78, once a major landowner, says that representatives of Ikea, the Swedish furnishing group, asked him if he was thinking of reclaiming the Zamosc furniture factory, with a view to establishing a joint venture.

The society has been knocking on doors for the past few months with little joy from the Government, which continues to recognise the 1946 law nationalising factories employing more than 50 people per shift, and which is ready to consider compensation only where the law was infringed.

A trip to Gdansk to see Mr Lech Walesa was more fruitful and enlisted support for the society's aims.

The chances that the Government will sanction a wholesale return of industrial property are slim. The stakes are high and should the society's claims be recognised the country stands to gain a sizeable group of rather wealthy people.

The '2 plus 4' group meets today in East Berlin

W Germans signal their Nato objectives

By David Marsh in Bonn

AS NEGOTIATIONS on the military status of a united Germany enter a crucial stage, the West German Government is sending out a cluster of signals to east and west on how it wants Nato to develop in coming years.

Bonn's chief problem before today's talks in East Berlin of the "2 plus 4" group – the two German states plus the four Second World War allies – is to make sure the right message lands with the right audience. Chancellor Helmut Kohl and Mr Hans-Dietrich Genscher, his Foreign Minister, have been beating out a two-fold theme.

They have been reassuring the west that a unified Germany will remain in Nato, and simultaneously consoling the Soviet Union that the alliance is certain to reduce its military character. Bonn officials admit the danger that the lines of mutual reassurance could get crossed. The Soviet Union, and much of German public opinion, is interested in seeing Nato eliminated as a military threat. Germany's allies concede the need to adapt Nato's strength to the ebbing of confrontation, but want to keep the alliance as a functioning fighting force.

One dilemma concerns the presence of Soviet troops on East German territory. West German defence planners are already looking forward anxiously to the likelihood that, within a probable three to five years after unity, the soldiers will be on their way home. Eventual withdrawal of Moscow's 380,000 troops in East Germany would conclusively restore German sovereignty. It could clear the way for relocation of the capital to Berlin in the mid-1990s. But it would also spark off pressures in Germany for a pull-out of the western allies' military presence, above all, that of the US.

Bonn believes that the western allies' armies in Germany will be cut sharply in coming years, down to around 100,000 men from 400,000 at present. But the Government regards the stationing of some American troops as vital to a future Germany's security.

One reason why the Bonn Government has no intention of pressing for the moment for all nuclear weapons to be removed from German soil is because it knows that, without nuclear "cover", the US Congress would be much more likely to call for return of American soldiers.

As an answer to the conundrum over the future of Nato forces, Bonn favours setting up multinational combat units made up of troops from several Nato countries. They could serve not only in Germany but also elsewhere in Europe.

The suggestion is backed by Britain and the US. But it was given short shrift last week by Mr Jean-Pierre Chevènement, the French Defence Minister, who plainly sees it as a ploy to drag France back into the military structure of Nato.

One top adviser to Mr Kohl enthuses that multinational divisions would mean that "no nation on its own could make war." He admits, however, the suspicion in the Soviet Union that pooling western forces might actually end up increasing, rather than reducing, Nato's military firepower.

Another area where Bonn is struggling to convince both east and west surrounds the future size and deployment of the German army. Bonn favours maintaining an all-German army of 300,000 to 400,000 soliders, compared with the Bundeswehr's present strength of 490,000.

To placate Moscow, Bonn and its western allies have foresworn any stationing on East German territory of German troops assigned to Nato. The East German National People's Army, now down to an effective total of less than 100,000 men, is to be subsumed into the Bundeswehr as a territorial army outside Nato. Western diplomats, however, stress that the agreement on "no Nato troops on East Germany" applies only to the anticipated transition period before Soviet troops are pulled out.

Ever aware of Moscow's sensibilities over German unity, Mr Genscher firmly opposes any talk of Nato being extended to the Oder-Neisse line.

Mr Kohl, backed by Britain and the US, has already indicated, however, that a united Germany will have the right to call on Nato for self-defence over the whole of its territory. In cloudy areas like this, Bonn has a natural interest in perpetuating the ambiguity – and the Soviet Union has an almost desperate desire to clear it up.

● Nato will have to adapt its policies to new realities in every field, including the military field, according to Mr Manfred Wörner, Secretary General of Nato, writes Ian Davidson in Paris.

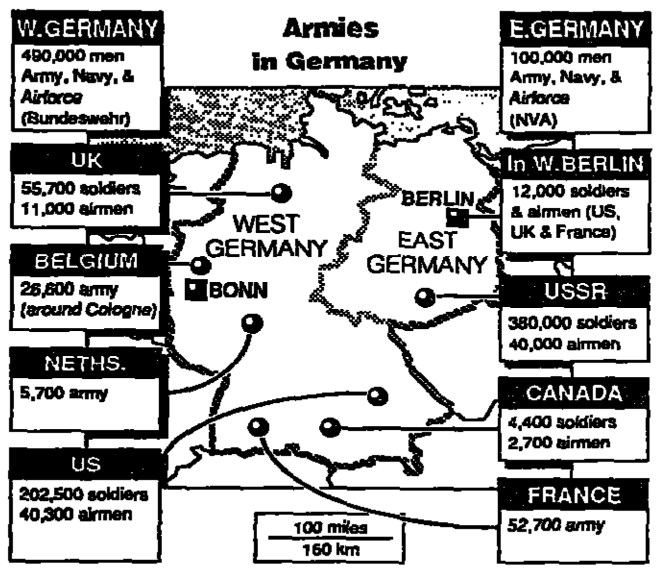
He told an audience of French foreign affairs specialists: "We must change the application of the doctrine of forward defence . . . We will have an ever greater need of mobile units, which are both flexible and rapidly deployable", and also of "multinational units that are integrated at corps or division level".

Mr Wörner said Nato would continue to need "an adequate mix of conventional and nuclear forces".

MILITARY SERVICE in West Germany's conscription-based army looks almost certain to be cut to 12 months from 15 months from the beginning of next year as a result of the easing of confrontation in Europe, writes David Marsh.

The Bundestag is expected to decide formally on the reduction in September, following agreement among defence experts in the conservative parties in the centre-right Bonn coalition. The reduction in military service, coming just a year after Bonn shelved plans to lengthen conscription to 18 months, is expected to lower the strength of the Bundeswehr, currently standing at 490,000, by around 50,000 men.

Agreement on cutting the call-up period comes as the Government is preparing for a sharp cut in defence spending in real terms next year. Mr Gerhard Stoltenberg, the Defence Minister, appears to have accepted a defence budget next year of only DM52.6bn (£18.2bn), less than the DM53.2bn (£18.4bn) available this year, compared with the DM55.1bn (£19.06bn) he had originally sought.



EC states 'must pay' for entry of E Germany

By David Goodhart in Bonn

THE ENTRY of East Germany into the European Community after unification will be a net cost to other EC members, at least for a transitional phase, according to Mr Bruce Millan, the regional policy Commissioner.

Mr Millan also stressed that East Germany would not be able to continue with selective import controls, planned as a short-term protection to accompany German monetary union, after full unification.

The Commissioner said that East Germany would initially be a net recipient of EC aid and would certainly receive more in regional aid from Brussels than West Germany currently did.

West Germany is set to receive DM2.5bn (£860m) over a three-year period ending in 1993.

"West Germany is, and will remain, a net contributor to the EC so it is only fair that the rest of the Community bear some of the extra cost," said Mr Millan.

It has not yet been worked out exactly how much East Germany will receive from the EC's regional funds, partly because of the lack of reliable statistics in East Germany, but Mr Millan said it would be "a significant sum".

On the separate issue of regional aid paid by Community states to their own regions, Sir Leon Brittan, the competition Commissioner, has said that German regional aid will have to be reviewed after unification.

He has also called for swiftest possible abolition of West German aid for the former border areas close to the inner-German border.

Greek-Yugoslav row blows up on Macedonian issue

By Kerin Hope in Athens

BICKERING between Greece and Yugoslavia over truck permits and currency rules has broadened into a political dispute, with the revival in Belgrade yesterday of the long-dormant Macedonian issue.

Mr Antonis Samaras, Greek Foreign Minister, said claims by Mr Budimir Loncar, his Yugoslav counterpart, that members of a "Macedonian minority" in northern Greece were being mistreated "are fuelling new tensions rather than helping defuse them". Greece insists no such minority exists and that almost all Greeks of Slav descent migrated to Yugoslavia after World War II.

Demonstrators from Skopje, in the southern Yugoslav republic of Macedonia, last weekend blocked the three border crossings from Greece used by trucks carrying farm produce to the EC. Mr Samaras has rebuffed claims of visas being refused for visits to relatives in Greece. He says 200,000 visas were issued to Yugoslavs from the Skopje region in the first five months of this year.

The two ministers were to have held talks on boosting transit permits for Greek trucks, but plans fell through.

THE SANCTIONS DEBATE

Western policy flounders as trade with S Africa flourishes

Mr Nelson Mandela is in the middle of a punishing tour of western capitals urging the retention of sanctions against South Africa to strengthen his hand in negotiations. President F W de Klerk recently visited European capitals in a bid to convince governments that he can be trusted to continue down the road to reform, implying that sanctions may be dropped. Three days before EC leaders debate the issue at the Dublin summit and Mr Mandela meets President George Bush, Financial Times writers examine the sanctions debate in Europe, the US and South Africa.

Mandela and de Klerk established a friendly relationship at recent talks. But sanctions is part of the armoury of the ANC leader when the real bargaining starts

WHEN the Dublin summit discusses the question of sanctions against South Africa, it will do so in the knowledge that any decision will be of more symbolic than practical importance.

Despite the European Community's sanctions package, imposed in September 1986 following the failure of the mission to southern Africa by the then British Foreign Secretary, Sir Geoffrey Howe, trade continues to flourish.

South African exports to the EC increased from $3.5bn in 1985 to $6.72bn in 1988, while imports from the EC increased from $4.4bn to $7.3bn. And firm commodity prices saw exports to Europe increase by an estimated 40 per cent last year.

Theoretically South Africa should be vulnerable to sanctions as it has a very open economy.

In 1989 the country's foreign trade was 57 per cent of gross domestic product. At times this figure has been in excess of 70 per cent. But minerals, which account for more than 60 per cent of the country's export earnings, have never been subject to sanctions because of their strategic importance, hence limiting the effect of sanctions campaigns.

The main elements of the EC's 1986 package were a voluntary ban on new investment in South Africa and on imports of gold coins and iron and steel from South Africa. Bans on coal and farm products were successfully resisted by the UK, West Germany and Portugal.

These steps were in addition to measures adopted a year earlier, including a more rigorously controlled arms embargo and the cessation of oil exports and sales of "sensitive equipment" to the South African police and military.

Certain other unilateral steps have been taken such as France deciding in 1985 to ban new investment or loans for South Africa and halted coal imports. Soon after South Africa also lost its quota to export 500,000 tonnes of finished steel into the EC.

The impact of these measures is difficult to quantify. In most cases exporters who have lost markets have found other ones. But the cost comes in terms of opportunities foregone, of investment not made, and industries not fulfilling their growth potential. Indeed, a major worry is that if sanctions were to go, capacity constraints would limit the country's ability to capitalise on new opportunities.

The country also paid a heavy price for the oil and arms embargoes, with the government forced to pursue self-sufficiency by investing in industries which were not commercially viable. The synthetic fuels industry is the best example.

Capital sanctions, imposed by bankers not politicians, are by common consent the ones that have caused South Africa the most pain.

Net capital outflows from the country in 1985-9 totalled R30bn. This meant running a current account surplus, a serious constraint for a developing country, which has effectively placed a ceiling of about 3 per cent on the GDP growth, given the country's import propensity.

Their impact on the balance of payments has been likened by one observer to what South Africa would have experienced had the gold price averaged $200 an ounce instead of $400 an ounce over the past five years.

Other effective sanctions are the product of market pressures rather than legislation. Consumer boycotts of supermarkets are the best known example. South African trade officials tell many tales of European buyers, fearing victimisation, asking South African suppliers to look for new markets.

Although sanctions have hurt South Africa, experience would seem to confirm the judgement of Merle Lipton, author of a report on the impact of sanctions, that "thus far, both in relation to capital flows and to trade, market forces have proved more potent than sanctions."

Philip Gawith

Domestic pressures deny Bush room for manoeuvre

By Lionel Barber in Washington

DURING a recent White House briefing, Mr Marlin Fitzwater, President Bush's press secretary, was asked about US sanctions against South Africa.

"The evidence shows that sanctions have taken jobs away from blacks," said the affable spokesman. "We've not found evidence that sanctions were a major factor in change in South Africa; there are any number of factors that have been judged to be far more persuasive."

Later, an aide handed Mr Fitzwater a message: "We believe that the existing sanctions have played a constructive role in persuading the South African government of the need to end apartheid," said a somewhat chastened spokesman. "However, we also believe that political pressures and the consensus of the American people is the strongest possible force that can be applied to the South African government."

Speaking out of both corners of the mouth has become customary for the Bush administration when it comes to US economic sanctions against Pretoria. Mr Nelson Mandela, the 72-year-old deputy president of the African National Congress, currently on tour in the US, is likely to discover a similar "now you see it, now you don't" quality to US policy when he meets Mr Bush at the White House next Monday.

Mr Mandela's aim is to ensure that Mr Bush maintains sanctions. He believes that any relaxation would weaken the ANC's bargaining hand in negotiations with President F.W. de Klerk's government to dismantle apartheid.

Mr Mandela has little to fear. Despite its reservations, the administration remains unwilling to lift the sanctions imposed by the 1986 Comprehensive Anti-Apartheid Act (which include a ban on bank loans, new investment and US landing rights for South African Airways).

In contrast to other countries, where flexibility is at a premium, the US has legislated itself into a corner. The President can modify or suspend sanctions – but only if certain conditions are met. These include the release of political prisoners, the lifting of the state of emergency, the repeal of the Group Areas Act and the Population Act, cornerstones of the apartheid system.

In theory, the administration would like to reward Mr de Klerk for his reformist efforts. , most recently the partial lifting of the state of emergency. In practice, it stands pat; and the prime reason is that South Africa policy is still treated as a domestic political issue instead of a foreign policy issue.

During the Reagan administration, US policy was much more active – driven partly by the fears about expanding Soviet influence in the region. Soviet disengagement has weakened US interest and resolve.

As in other regional conflicts, Mr Bush – and his friend Mr James Baker, US Secretary of State – have allowed pressure groups inside and outside Congress to seize the initiative. In the case of South Africa, groups such as the Congressional Black Caucus and Mr Randall Robinson's TransAfrica organisation exert disproportionate influence (even though they often take a harder line than, say, Mr Mandela is expected to employ in his official talks next week).

How has this happened? Both Mr Bush and Mr Baker are scarred by the memory of 1986 when Congress imposed the sanctions by overriding former President Ronald Reagan's veto. Neither Republican wishes to risk a major legislative battle with Congress in this an election year; nor do they wish to hand an issue to the Democrats who know how easy it is to paint a sanctions opponent into an apologist for apartheid.

Mr Bush is anxious, too, to maintain his unusually high support among blacks – currently three times higher than the admittedly low level enjoyed by Mr Reagan. White House pollsters are angling for black defectors from the Democrats in the 1992 presidential campaign; Mrs Barbara Bush, the not-to-be-underestimated First Lady, is said to be firmly behind the policy of courting black voters on principle.

Anti-apartheid supporters in the US still tend to view South Africa in domestic terms, too. "Mandela," observed Juan Williams of the Washington Post, "is a unifying force among American blacks when class differences, political fights and a widening gap in generational perspectives is weakening the racial bonds that once held black Americans together."

Yet as Mr Williams and other US commentators have noted, there is a danger in being swept away by Mandela fever – in losing sight of the immediate and extraordinarily difficult task of creating a free, democratic, multi-racial society in South Africa.

Despite his good intentions, Mr Bush has lost the power to be an effective broker because he is at present only dealing with one party, Mr Mandela. His invitation to Mr de Klerk to make an official visit this month came to nothing. While the South African president cancelled in the face of threatened street protests, he also failed to show up because he knew Mr Bush could not deliver on sanctions.

The result, says one Africa expert in Washington, is that US leverage in the region is diminishing and US policy is drifting.

SANCTIONS AGAINST SOUTH AFRICA

	Import bans: Krugerrands	Coal	Iron & steel	Uranium	Agricultural produce	Products of "parastatals"	Export bans: Petroleum	Computer equipment	Nuclear trade	Ban on loans and investment: New investment	Private loans	Government loans	Air links
France	●	●	●				●		● (c)	●			
W.Germany	●		●				●		●	●			
Italy	●		●							● (a)			
UK	●		●				●	● (b)	●			●	
US	●	●	●	●	●	●	●	●	●	●	● (a)	●	●
Spain	●		●					● (b)		● (a)			●

(a) Voluntary. (b) Applies only to government bodies. (c) With exception of exports to the Koeberg nuclear plant. Source: US State Dept.

Community hopelessly split between soft and hardliners

By Lucy Kellaway in Brussels

THE European Community wants to help both President F W de Klerk and Mr Nelson Mandela in their attempt to negotiate an end to apartheid in South Africa. But it cannot agree on how best to go about it.

Just days before heads of state discuss sanctions in Dublin, it is becoming increasingly likely that their signal will consist of a lot of encouraging words, and little, if any, action.

The EC nations have a range of views. At one end of the spectrum are the UK and Portugal, which argue that a "clear signal" must be sent from Dublin to South Africa by some lifting of sanctions. Failure to do so could result in a right wing back-lash, they say. At the other end of the spectrum are Ireland and Denmark, which want to keep sanctions until "profound and irreversible change" has taken place.

The rest are willing to move a little on sanctions before apartheid is completely dismantled, but are unsure whether they should do so now. Many want to see the easing of sanctions tied to further reforms by South Africa, in particular a *complete* lifting of the state of emergency (still in force in Natal province), and the release of all political prisoners.

This camp would prefer to wait, arguing that while Mr Mandela continues to tour Europe campaigning for sanctions to remain, any EC action to lift them would be clumsy. A *further* suggestion is that sanctions could be suspended rather than lifted.

Given this range of views, an Irish offical doubted there would be any decision to lift sanctions in Dublin. "These sanctions were imposed by consensus, and there is no consensus to lift them," he said.

There is, however, agreement that the most serious sanctions should remain. There is no question of lifting bans on trade in arms with South Africa, on oil sales, on exports of supplies for the police or army, and on nuclear and military co-operation. Neither is there any question that the ban on sport be lifted.

Instead the discussion is over sanctions on imports of gold coins, imports of iron and steel and the ban on direct investment. The UK angered its EC counterparts by lifting its ban on investment after the release of Mr Mandela, and may press next week for others to follow.

It is, however, being careful not to be seen to be taking *too* firm a lead. Mr Douglas Hurd, the UK Foreign Secretary, believes there remains a gap between member states, which cannot decide when to take the first step. "The principle was established that you don't have to wait for apartheid to end before relaxing pressure on South Africa," he said.

Since February, however, events have moved so quickly that the UK is no longer isolated in its willingness lift sanctions. Its *tactic* now appears to be to keep the issue on the agenda at every meeting in the hope that reforms will now bring everybody round.

South African exports to main EC nations $m

country	1988	1989
France	707	755
Italy	2,163	2,621
Spain	386	439
UK	1,434	1,465
W Germany	1,727	1,553

Source: IMF Directory of Trade Statistics

The effect of a modest reduction in sanctions would be political rather than economic, and difficult to quantify in any case. The effect of banning new investment is impossible to measure by its nature; the ban of Kruggerands – which has been completely effective – may have had limited real effect. The imports of iron and steel seem to have fallen by about 40 per cent since 1986, although the estimated loss of revenue to South Africa is only around Ecu5m (£3.6m) a month, and is therefore of slim importance.

Despite the tightening of sanctions, trade between the EC and South Africa has continued to grow, especially from West Germany where monthly exports to South africa have increased by over 30 per cent between 1987 and mid-1989 to about $280m a month. Imports have grown even faster over the same period, by 44 per cent in the case of Italy, 32 per cent for Germany and 35 per cent for the UK.

Regardless of whether the EC leaders decide to fudge the sanctions question, the Dublin communique is certain to contain two elements. The first will be wordy bouquets for President de Klerk and to Mr Mandela. The second will be a hearty endorsement of the EC's "positive measures" designed to help the victims of apartheid. The Commission has proposed that the size of this programme should be increased by 30 per cent to Ecu42m for 1991, four times as much as when the fund was set up in 1986.

WORLD TRADE NEWS

Zimbabwe signs accord on US investment

ZIMBABWE has signed a US investment protection agreement to try to attract American capital to its manufacturing and mining industries, Reuter reports from Harare.

The Overseas Private Investment Corporation accord insures US companies against political risk in developing countries. It also provides project financing.

"Tell the American government and people we are ready to receive investment," Mr Bernard Chidzero, the Finance Minister, told US ambassador Steven Rhodes.

Zimbabwe refused for 10 years to sign the agreement, arguing that its constitution offered enough guarantees against risks such as expropriation of private property by the state. But it has now softened its position, joining the World Bank-backed Multilateral Investment Guarantee Agency convention last September as part of a drive to woo foreign capital.

Only two US companies – food processing giant H.J. Heinz and diesel engine maker Cummins – have set up in Harare since independence in 1980. They joined other companies such as Coca-Cola, 3M, Union Carbide and Mobil, which is prospecting for oil in western Zimbabwe.

Mr Chidzero said OPIC was the first of a number of such agreements to be signed .

"It is recognised that there is need to accord further protection of investments by entering into investment protection agreements," the Finance Minister said.

He is due to liberalise trade next month as part of reforms to free the economy and stimulate investment.

Nigeria awards $1bn petrochemicals contracts

By William Keeling in Lagos

CONTRACTS worth nearly $1bn have been awarded by the Nigerian National Petroleum Company (NNPC) for the second phase of Nigeria's petrochemicals project.

Finance of up to $850m is being concluded with a Japanese consortium, including the government export insurance arm of the Ministry of International Trade and Industry. The expected agreement by Miti to extend export insurance to Nigeria would be the first since cover was withdrawn in 1985.

Other members of the Japanese consortium are the government-owned Export-Import Bank and a group of six private companies led by Nissho Iwai, C.Itoh, and Marubeni. The deal is believed to hinge upon NNPC agreeing to make advance payment of $150m.

The project, to be built at Eleme near Port Harcourt, involves the construction of three plants including an olefin plant with a capacity for 300,000 tonnes a year of ethylene and 90,000 tonnes of propylene, sufficient to meet domestic demand. In addition, two further plants – with the capacity to produce 250,000 tonnes a year of polyethylene and 80,000 tonnes of polypropylene – are to be constructed. Half the output from these is intended for export. The products are used to make items such as detergents, batteries, solvents, paints, plastics and tyres.

Contractors for the construction are Chiyoda, JGC, and Kobe of Japan, Tecnimont of Italy and Spie Batignolles of France. Completion of the plants is expected in 1993. A partnership is being formed between NNPC, Agip and Philips for the supply of gas-based feedstock, the main input.

Analysts are warning, however, that the Government will have to improve its management of the industry if Nigeria is to benefit from the investment. Plants constructed under phase one of the project are reported to be operating as low as 20 per cent of optimum capacity.

Any doubts the prospective financiers harbour over the project should be overcome, diplomats say, by the prospect of enhancing future Japanese involvement in a proposed $2.5bn Liquefied Natural Gas project. Invitations to tender for the LNG project are expected to be issued early next year.

Export of oil accounts for more than 90 per cent of foreign exchange earnings but associated gas-products, a potential money-earner, are currently flared at site.

Finnish paper exporters give Moscow ultimatum

By Enrique Tessieri in Helsinki

FINNPAP, a Finnish paper mill association which markets paper, is threatening to halt all Finnish paper exports to the Soviet Union on July 1 if it does not receive FM150m (£22m) in hard currency back payments by the end of this month.

Finnpap has not received any hard cash payment from the Soviet Union since mid-March. The association has written to customers such as Pravda and Izvestia to bring pressure on Exportles, the Soviet central forest products and paper buying organisation.

Finnpap's biggest Soviet customers include Ogonjok, a pro-perestroika magazine, as well as the National Printing Committee, which produces magazines and newspapers.

Finland and the Soviet Union agreed in this year's trade protocols that the USSR would receive 308,000 tonnes of Finnish paper for about FM1.2bn. The two also agreed that one third of Finnish paper exports would be paid for in hard currency and not through barter.

Mr Kari Holopainen, a Bank of Finland director for Finnish-Soviet trade, said that since the beginning of June the Soviet Union has owed Finland about FM500m in hard currency.

At a Finnish-Soviet trade commission meeting in Leningrad last month, the Soviet Union had pledged to give Finland priority in paying its hard currency debts.

"We have not heard anything from the Soviets about the matter since the end of May," said a Bank of Finland official.

Finnish-Soviet trade suffered another upset last week when the Soviet Union proposed scrapping the 40-year-old barter system by the beginning of 1991. Talks between both countries on the future of the system will begin this autumn.

Nissan plans East German sales network

By Stefan Wagstyl in Tokyo

NISSAN is to set up 36 car dealerships in East Germany in one of the first significant moves by a Japanese company to try to take advantage of the expected union between East and West Germany.

Nissan will be the first Japanese car company to market its vehicles in East Germany. The Japanese car maker, which expects to sell 2,000 cars this year, said yesterday the new dealers had already signed sales and service contracts with Nissan Motor Deutschland, the West German subsidiary.

The group hopes to extend the network to 60 or 70 outlets by the end of 1990.

Nissan plans to sell Micra, Sunny and Bluebird passenger cars, Nissan Patrol all-purpose vehicles and commercial vans.

However, an important role of the new dealership network will be to service the vehicles of West German Nissan owners travelling to the east.

Other Japanese companies which have announced plans to market their products in East Germany include Kao, the toiletries group, which has directed its West German subsidiary to establish a joint venture with an East German enterprise to sell shampoo.

Sony, the consumer electronics company, has said it intends to open a marketing office.

The moves highlight the fact that Japanese companies are singling out East Germany as the most promising market in eastern Europe, not least because of the imminent monetary union between East and West Germany.

Japanese executives put great faith in the power of West Germany to underwrite the economic future of East Germany.

They are much more cautious about other countries in eastern Europe.

Latin Americans agree to cut regional tariffs

ELEVEN Latin American nations agreed to lower trade barriers from August 1, after wrangling during a day-long meeting over when the reduction would take effect, Reuter reports from Montevideo.

Delegates from Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela, members of the Latin American Integration Association, met to negotiate cuts in tariffs for trade within the region.

They agreed to raise from 10 per cent to 20 per cent the regional tariff preference, according to a document that has yet to be ratified by each government.

The 11 countries also agreed to eliminate non-tariff barriers.

"The agreement means we will have lower tariffs to import goods within the region at cheaper prices, that countries agreed to allow more products to be imported with lower tariffs and that other non-tariff barriers, which have always been a sticking point, will be scrapped," Mr Domingo Cavallo, the Argentine Foreign Minister said.

"I believe we are heading to a free-trading bloc, which is the first step towards creating a common market."

Diplomats said that during the negotiations Argentina, Braziland Chile worked together, holding identical positions when there was controversy.

"Chile is evidently trying to become a partner in the integration Argentina and Brazil are already working on," one diplomat said.

Canada braced for Meech Lake instability

By Bernard Simon in Toronto

CANADA is bracing itself for a weekend of political turbulence which could mark the start of a long period of instability in what has been one of the calmest democracies.

Despite a last-minute dash by Mr Brian Mulroney, the Prime Minister, to address the Newfoundland provincial legislature yesterday, there is now only the slimmest chance that the dissident provinces of Manitoba and Newfoundland will ratify the Meech Lake accord before that constitutional package expires on Saturday night.

The federal government may make a last-ditch effort to save the accord today or tomorrow by asking parliament to declare it law on the grounds that it has been adopted by eight out of 10 provincial legislatures, representing almost 95 per cent of the population.

However, this would open the accord, which seeks to make the mainly French-speaking province of Quebec a full member of the Canadian family, to a challenge in the courts.

The increasingly acrimonious debate over Meech Lake is also casting a shadow over the convention, which began in Calgary yesterday, to choose a new leader for the federal opposition Liberal Party. The front-runner, veteran former cabinet minister Mr Jean Chrétien, has come under strong attack from his rivals for his behind-the-scenes attempts to save the accord, despite his public opposition to it. The party itself is sharply divided over Meech Lake.

The accord could collapse as early as this afternoon, if the Manitoba legislature adjourns, as scheduled, for the weekend. Mr Gary Filmon, provincial Premier, has so far brushed off all efforts by pro-Meech forces, including senior cabinet ministers, to curtail a debate on the accord which began in the legislature on Wednesday. He has also insisted that he will not by-pass the public hearings due to be held before a vote is taken in the legislature.

About 3,500 people, mostly indigenous Canadians whose leaders have stalled passage of the accord in the Manitoba legislature for the past 10 days, have signed up to give evidence at the hearings. On the far east of the country, the Newfoundland House of Assembly is preparing to vote today on a motion to reverse a decision made this year to rescind its earlier acceptance of the accord.

Filmon: Insistent premier

The premiers of three other provinces, as well as Mr Mulroney, have appeared in person in the House to plead for the accord to be saved. Mr Frank McKenna, New Brunswick's Premier, warned that rejection would lead to greater ethnic tensions, economic instablity and reduced foreign investment in Canada.

Outsiders are watching the drama because, "for the first time in the history of the world, they have the opportunity to see the destruction of a country without a shot being fired," Mr McKenna said.

Flight ban on smoking sought

By Paul Betts, Aerospace Correspondent

PROPOSALS to impose a complete smoking ban on international flights are turning the clean air debate into a burning trade issue.

The Canadian government has written to the International Civil Aviation Organisation (ICAO) asking all member countries to consider a resolution to ban smoking on international flights.

However, Canadian carriers are worried that they risk serious competitive disadvantages if they had to apply a complete smoking ban on long international flights while other carriers continued to allow smoking.

Canadian Airlines is particulary worried by the Canadian government's smoking ban because of its possible impact on the carrier's lucrative Japanese business. Mr Kevin Jenkins, chief operating officer, says Canadian risks losing as much as C$40m (£19m) a year if a complete smoking ban on international flights were imposed on Canadian carriers.

He explained that Japanese travellers were big smokers. "We would lose 15 per cent of our traffic in Japan if smoking was banned and would probably pick up only an additional 3 per cent on other routes."

Scholar activist behind Mr Bush

Peter Riddell talks with the White House domestic policy adviser

MR ROGER Porter, the economic and domestic policy adviser to President George Bush, is an example of that American phenomenon, the scholar practitioner.

He has spent the last 20 years alternating between an academic life, mainly at the Kennedy School of Government at Harvard University, and the White House, where he has steadily climbed the ladder to his current position at the centre of the making and execution of policy.

While such switching is virtually unknown in Britain, it is common in the US. The result is a mixture of the reflective and the active, epitomised by Mr Porter. Even by the competitive workaholic standards of the White House, he is exceptionally assiduous. One colleague recently compared him to a vampire, since he never sees daylight. He combines the discipline of his Mormon background with the enthusiasm of the committed teacher.

Mr Porter, 44, works in a warren of rooms at the top of the squat West Wing of the White House, where he coordinates the president's domestic agenda. His post was occupied by Mr John Ehrlichman in the Nixon era and by Mr Stuart Eizenstat in the Carter years.

On the wall of his office is the record of the 89:11 vote by which the Senate finally passed the most extensive clean air legislation for more than a decade. It was presented to him after more than 100 hours of negotiations on behalf of the administration with Senator George Mitchell, Democratic majority leader.

Mr Porter is firmly a free trader. Last year, he helped prepare the decision which limited the extension of a modified form of quotas on steel imports to 2½ years, rather than the four or five years sought by the industry. Likewise, he is now pressing for a wide-ranging Uruguay Round package and a stronger Gatt.

He has a full answer to those who question Mr Bush's commitment to his domestic agenda, as opposed to foreign policy. During a recent interview for BBC Radio Four's Talking Politics, he argued that Mr Bush was "one of the most energetic, activist-oriented presidents of this century. He is mobilising the American people through a series of initiatives dealing with drugs, crime, education, and the environment."

Yet Mr Porter does not believe such activism means an ever larger role for government. This is not just because of budgetary constraints. "One of the things that we have discovered in country after country – certainly President Gorbachev has discovered this recently – is that it is very difficult to turn a society around from the top. Societies do not respond to edicts from those at the pinnacle of the political pyramid.

"There is going to be no shrinkage in the role government plays. But it's going to have to be supplemented by an even larger role on the part of the public (both the private sector and individuals), he stresses."

This is the approach which Mr Bush calls "the thousand points of light." Mr Porter claims that, during the last 18 months, "we have seen a veritable explosion of voluntary activity on the part of Americans who have recognised the role they can play individually and are going about doing it." He gives examples ranging from the goal of planting a billion new trees a year to education and health.

Mr Porter notes that, last year in the US, 27 per cent more was spent on education, in inflation-adjusted terms, that at the beginning of the 1980s. "But that has not produced an education system that is performing any better. There is nothing we can do to pour money into schools, if parents are not willing to get involved (with homework or reading) to supplement at home what their children get in the classroom. It is unfair to put the whole onus on the teacher in that classroom."

Also, "what is needed now that can bring down the cost of health care is life-style changes. In the US we lose 333,000 people every year due to cancer caused by tobacco smoking. That is the kind of reformation we need.

"People need to be out getting more exercise, keeping fit. We need to concentrate as much time, activity and effort on these things as we do on building more hospitals, buying more [body] scanners and taking care of people once they've developed a medical problem."

Mr Porter stresses the role of political leaders in pointing a sense of direction, drawing a parallel with the enormous response to President Kennedy's appeal in his 1961 inaugural address: "Ask not what your country can do for you, but what you can do for your country."

For Mr Porter, as for the man he advises, President Bush, "power, by one – the most important – definition, is the influence to get people to do what you want them to do. Governmental programmes are one way, and the rhetorical powers of encouraging and inspiring people are another way."

Court curbs political patronage

THE US Supreme Court dealt what could be a heavy blow to political patronage yesterday, ruling that government agencies generally may not base hiring, transfer and promotion decisions on a person's party affiliation, AP reports from Washington.

By 5:4, the justices said refusal to hire, transfer or promote for partisan reasons in most cases violates constitutional freedoms of speech and association. Partisanship might play a role in such employment decisions only when political affiliation was an appropriate requirement for carrying out a job, such that of a policy adviser.

"Unless these patronage practices are narrowly tailored to further vital government interests, we must conclude that they impermissibly encroach on First Amendment freedoms," Justice William Brennan wrote in judgment.

The decision upholds a suit by three residents of Illinois against Governor James Thompson and Republican Party leaders in the state. Its sweeping prohibitions apply as well to federal and local government employers.

Supreme Court decisions in 1976 and 1980 had limited application of political patronage, but only in respect of job dismissals.

US not suffering credit squeeze, says Greenspan

MR Alan Greenspan, Federal Reserve Board Chairman, said yesterday he did not believe the economy was suffering from a nationwide credit squeeze, and he foresees continued modest growth, Reuter reports from Washington.

"All things considered, continued modest economic growth remains the most likely outcome. Looking at the economy as a whole, enough credit appears to be available to fuel this growth," Mr Greenspan said in testimony prepared for the Senate Banking Committee.

He acknowledged that some sectors of the economy or individual borrowers were having trouble getting credit, but these difficulties were in line with a justifiable sense of caution about risks on the part of lending institutions and regulators. The Fed would "continue to watch the situation closely.

"We are attentive to the possibility that this more cautious stance in the granting of credit could cumulate to threaten the economic expansion," he added. If there had been an over-reaction by lenders or regulators, "access to credit has not been reduced to an extent that has had a significant damping influence on the American economy overall".

Construction of office buildings and other commercial structures was down from last year, but the cause was overbuilding in earlier years sparked by the ready availability of credit from thrifts and banks.

● The US economy grew at a stronger pace during the first three months of 1990 than was thought a month ago, and the inflation rate was slightly lower, the Commerce Department said yesterday.

Gross National Product expanded at a seasonally-adjusted 1.9 per cent annual rate in the first quarter instead of the previously estimated 1.3 per cent, the department said in its second and final revision of total goods and services output between January and March.

Growth rate improved on the 1.1 per cent in the fourth quarter of 1989 but still reflected a sluggish economy. For 1989 as a whole, total goods and services output increased at an inflation-adjusted rate of 3 per cent, the weakest since 1986.

Panama's entry further complicates Noriega trial

By Henry Hamman in Miami

THE entry of the Government of Panama into the battle for control over the assets of General Manuel Antonio Noriega, former leader of Panama, adds another twist to his already convoluted trial in the US on drug-trafficking charges.

Mr Gregory Craig, the Washington lawyer representing the Panamanian Government, announced this week at a criminal trial hearing in Florida that Panama would file civil actions in the US, seeking $100m from Gen Noriega in compensatory damages and a total $5bn in punitive damages.

This action clouds the status of an agreement between the defence and prosecutors, under which the US is to ask foreign governments to unfreeze $4.5m to $6m of Gen Noriega's assets so he can pay defence lawyers.

Among the assets that could be affected by the agreement are seven accounts at the London branch of the Union Bank of Switzerland, frozen by a UK High Court order.

Mr Craig said the Panamanian Government was concerned that assets belonging to the people of Panama should not be used to finance Gen Noriega's defence.

Lawyers say it is unclear whether a civil action can be used to stop the general using the assets for his defence, and there is puzzlement at the decision to file the actions in the US since almost all of the assets are in accounts elsewhere.

The US decision to accept unfreezing of some assets was taken in Washington, at "the highest levels" of the Justice Department, according to government lawyers. The government was aware of the planned Panamanian intervention while it was negotiating the agreement with the defence.

The deal was reached only moments before Judge William Hoeveler, presiding over the Noriega trial, was due to take a hearing at which the government had been ordered to provide justification for its freezing of Gen Noriega's assets and details of assets so frozen.

The government had argued that it had a right to freeze the assets since they were tainted by drug profits. But the defence had threatened to show that at least some of the general's assets came from payments by US intelligence agencies.

For the defence, the agreement has benefits and drawbacks. If the general's assets are made available to him for legal fees, then he will be able to pay for the massive effort needed to fight the case. However, by agreeing to the limited release of funds, the defence loses the chance to force the government into disclosures of its knowledge of Gen Noriega's finances, a key element of the prosecution case.

INTERNATIONAL NEWS

Peking warns HK activists over confrontation

By John Elliott in Hong Kong

PEKING yesterday warned Hong Kong political activists not to stage a "confrontation" with China, but softened the message with a pledge that the mainland had no intention of introducing its socialist system or way of life in the British colony.

This was the main theme of the first public speech to a mixed expatriate and Chinese audience by Zhou Nan, a former Chinese vice-Foreign Minister, since he arrived in the colony four months ago to head the Xinhua News Agency, Peking's *de facto* embassy.

Zhou also ruled out any chance of Peking agreeing to change the Basic Law, which was completed earlier this year and will form Hong Kong's mini-constitution after it reverts to Chinese sovereignty in 1997.

Although his words were tough, Zhou tried to put forward a more friendly front than in recent months. His audience of businessmen in Hong Kong's General Chamber of Commerce, who are not in favour of the colony becoming involved in China's internal affairs, responded by welcoming his assurances about the future.

"The mainland has never and will not in the future introduce its socialist system, way of life, and concept of value into Hong Kong," Zhou said.

"Likewise, people in Hong Kong should not attempt to impose its capitalist system, way of life, and concept of value upon the mainland," he added, reiterating Peking's fear that the colony has become a centre for subversion in the past year.

"Otherwise, it will go against the will of the eleven hundred million people (of China) and that of the people of Hong Kong, consequently leading to escalation of man-made confrontation." It was "essential for Hong Kong to create an atmosphere of harmony and co-operation, to maintain its long-term stability and prosperity".

Significantly, Zhou also underlined the continued opening-up of China's "entire coastal areas", which used to be encouraged by Zhou Ziyang, the Communist Party secretary who was disgraced and sacked last year.

Hardliners usually prefer to stress only the development of the whole country, instead of concentrating on the richer coastal development.

Speaking a few days after Zhu Rong Ji, mayor of Shanghai, visited Hong Kong to appeal for investment in his city, Zhou said "tremendous new opportunities" existed for Hong Kong investment in Shanghai as well as in Guangdong which is adjacent to Hong Kong, Fujian Province and Hainan island.

Maude to make first visit since Tiananmen massacre

By Mark Nicholson in London

MR FRANCIS Maude, Britain's Minister of State with responsibility for Hong Kong, is due to visit China in July in what would be the first trip by a UK minister since last June's Tiananmen Square massacre.

Mr Maude's visit, for which neither a specific date nor schedule of meetings has yet been announced, is designed to raise from a technical to a political level the discussions between Britain and China over arrangements for Hong Kong's shift to Chinese rule in 1997.

The British Foreign Office is also guardedly optimistic that Mr Maude's trip can improve the broader "atmospherics" of British-Chinese relations, which have chilled significantly since Tiananmen Square and a series of hardline statements by Chinese rulers over Britain's Hong Kong policy.

The Foreign Office is braced for strong domestic criticism of Mr Maude's visit in light of the sustained hard line being taken by China's rulers since Tiananmen Square.

"We will just have to brave it out," said a Foreign Office spokesman. "It is simply necessary to get on with our dialogue over Hong Kong."

In China's first official reaction to the news of Mr Maude's visit, Zhou Nan, head of the Xinhua News Agency – China's *de facto* embassy in Hong Kong – declared that "if both sides are open and sincere, then there could be positive results".

Mr Maude will seek to persuade the Chinese of the importance of Britain's nationalities bill in keeping key individuals in the colony after the transfer of rule.

He will stress the importance Britain puts on a move to full democracy in the colony, and emphasise the value of substantial infrastructural projects to Hong Kong's continued economic health.

GEC may be holding talks on radar for Chinese

By David White, Defence Correspondent

BRITAIN'S General Electric Company is understood to be one of several international groups negotiating to supply China with airborne early-warning equipment.

The GEC radars would involve 16 sets of equipment that the company bought back from the UK Ministry of Defence after cancellation of the £1bn Nimrod project in 1986. The UK opted instead for a US system using Boeing aircraft and Westinghouse radars.

GEC declined to comment on prospects for selling the radars on to China.

The company, however, has been supplying military aircraft radars to the Chinese since the early 1980s, including in the period following last year's Tiananmen Square massacre and the Western ban on arms sales.

Export approval was given last autumn for a £30m follow-on order involving Skyranger weapon control and interception radars, and other electronic equipment for China's Type 7 fighter, a version of the Soviet MiG-21. This was similar to equipment already being supplied to China, and brought GEC's total orders for the programme to around £100m.

The prospective early warning deal is described by experts as "a big job", involving the integration of the system into aircraft and training of personnel. The argument for seeking an export licence would be based on the equipment's defensive purpose.

China has been excluded from British government-sponsored arms exhibitions in the 12 months since the suppression of pro-democracy demonstrators in Tiananmen Square, but has sought to maintain contacts with UK defence suppliers.

Palestinian youngsters yesterday taunt Israeli police from the walls of Arab Silwan suburb of Jerusalem

Arabs react with sorrow and anger at lack of US 'even-handedness'

By Tony Walker in Cairo

THE US decision to suspend its "peace" dialogue with the Palestine Liberation Organisation has attracted widespread but generally restrained criticism in the Arab World at a time of increasing concern that the Middle East may be heading for renewed conflict.

In one of the harshest condemnations the PLO has demanded that Arab states consider imposing sanctions against the US in protest; and while it is most unlikely to secure support from the moderates for such a step there is no doubt that its call coincides with growing militancy throughout the region.

The episode has posed a particular dilemma for pro-US Arabs who are anxious not to fuel growing anti-American sentiment over what is widely perceived as Washington's lack of even-handedness towards the Middle East conflict.

Egypt yesterday cautiously expressed "sorrow" over President Bush's announcement that he was ordering the suspension of talks with the PLO, begun in Tunis late in 1988, but it stopped well short of attacking the move.

The decision followed the PLO's refusal to condemn an attempted Palestinian seaborne guerrilla raid against Israel on May 30 and discipline the leader of the small faction responsible.

Mr Nabil Shaath, a senior adviser to Mr Yassir Arafat, the PLO chairman, said the US decision would encourage a growing mood of militancy in the Middle East.

"We are not going to take it lying down, and I'm not talking about a bloodbath and terror," he declared. "What was wrong with the peace process was the Arab world's weakness... the Iraqis are now leading a new era of some Arab deterrence and less Arab cowardice."

Mr Shaath, who is widely regarded as a moderate in PLO terms, added that there were six Arab countries with "intermediate range missiles" capable of reaching Israel.

In April, Iraq's President Saddam Hussein threatened to scorch half of Israel with binary chemical weapons if attacked with a nuclear device.

Growing Arab militancy was reflected in resolutions of the recent Arab summit held in Baghdad that called for stronger, co-ordinated action to counter what were described as Israel's threats to regional security.

Reacting to the US decision, a PLO spokesman said in Tunis that "it is a provocation against all Arab states, especially after the Baghdad summit. We will call on Arab states to implement the Baghdad summit resolutions."

Anger inside the PLO over the latest development makes it unlikely that it will agree soon to US conditions for a resumption of the dialogue. PLO officials said that in any case the 18 months of talks at ambassadorial level in Tunis had not yielded any tangible benefits to the PLO. They accused Washington of reneging on promises to upgrade the dialogue.

Mr Salah Khalaf, number two to Mr Arafat, said in Tunis that the suspension would only serve to encourage militancy in the region. "We deplore this decision which does not serve US interests or peace efforts...the US will see that it serves only extremists," he said.

However, Mr Khalaf, who is better known by his *nom de guerre*, Abu Iyad, pledged that the PLO would retain its commitment to its peace initiative based on recognition of Israel and demands for a "two-state solution" to the Middle East conflict.

Although Washington's decision to suspend talks is seen as disappointing development by western officials, a senior western ambassador said "in the end Washington had little choice, but to do what it did, although, of course, it has left the door open for a resumption of talks".

The Arab press, meanwhile, has reacted angrily to the US decision. Gulf newspapers urged Palestinians engaged in an uprising against Israeli rule in the West Bank and Gaza to "turn the occupying enemy's life into hell".

Bush gives up a useful diplomatic tool in the Mideast

Lionel Barber in Washington and **Hugh Carnegy** in Jerusalem on why contacts were cut with the PLO

THE suspension of US talks with the Palestine Liberation Organisation removes, at least temporarily, a useful diplomatic tool for advancing peace efforts in the Middle East.

As President Bush made clear on Wednesday in Alabama, he took his decision reluctantly in the face of opposition from some of Washington's strongest allies, many of whom such as Britain support his efforts to pursue an even-handed approach towards Israel and the Palestinians

Throughout his news conference, Mr Bush stressed that the suspension should not be read as signalling American disengagement; nor a shift in his administration's view that "Palestinian participation is essential to the success of the peace process."

Yet this very process has been stalled for at least three months, nullifying the US initiative to coax the Israeli government into talks with Palestinians on elections for the occupied territories, to be followed by talks about Palestinian autonomy and a final settlement.

Last February, Mr Yitzhak Shamir, the Israeli Prime Minister, told the US he would not open talks in Cairo with any Palestinian delegation which might include deportees from the occupied territories, or those with dual residences in Israeli-occupied Jerusalem and the West Bank, let alone members of the PLO.

Mr Shamir's intransigence in carrying out his own election plan touched off a political crisis in Israel and sent US relations with its strategic ally to an all-time low. Then came the abortive May 30 guerrilla attack on Israel organised by Abul Abbas, head of a radical PLO faction.

The refusal by Mr Yassir Arafat, the PLO leader, to condemn the attack or to take any disciplinary action against Abul Abbas left Mr Bush little option but to sever the dialogue before he was forced to do so by Congress. A resolution in the Senate urging suspension of contacts had already attracted 47 co-sponsors.

Still, the terms which Mr Bush set for resuming the PLO dialogue do not appear too severe. The President did not demand that Mr Arafat expel Abul Abbas but rather that he specifically condemn the raid and "begin to take steps" to discipline him.

The President's words indicate that there is, at present, no fundamental reassessment of US policy either towards Israel or the Middle East in general. Indeed at one point, Mr Bush let slip that he had just sent a letter to Mr Shamir specifically intended to determine "his seriousness about the peace process". The Bush letter reportedly asks Mr Shamir the same question on Palestinian representation in elections talks posed last February.

Israelis are well aware that their problems with the US administration are not yet over. Despite the public satisfaction of Israel's right wing Government over the suspension of the US-PLO dialogue, there is concern that Washington will now exert more pressure on Israel to try to salvage something from its fractured Middle East peace effort.

"After showing a strong hand to the PLO, the Americans will feel free – maybe even obliged – to show a strong hand to Israel too," said an editorial in the newspaper Yediot Achronot. "Increased pressure on Israel to make a gesture in the direction of renewing the American version of the peace process can be expected."

Satisfaction among ministers in the week-old coalition, led by the Mr Shamir's Likud Party, was also tempered by the way President Bush left the door open to a resumption of talks with the PLO. "I hope this suspension will not be temporary," Mr Shamir said.

In short, the US is keeping the rhetorical heat on Israel. The question is whether Mr Shamir and his new hard-line government take it seriously, now that the PLO dialogue (which shook the Israelis when it began in December 1988) has been broken off.

> A resolution in the Senate urging suspension of contacts had already attracted 47 co-sponsors.

One optimistic interpretation is that the removal of the PLO dialogue might give Mr Shamir room to manoeuvre around his even more hardline colleagues in Jerusalem. As one US official put it, "Remember, it was (Menachem) Begin who came to Camp David."

A more negative view suggests that the current stalemate strengthens the hardliners on all sides and could lead to a further escalation of tension in the region. On this reading, the administration has already given up on Mr Shamir and believes that the new Israeli government will be short-lived.

Hence the sudden building up in the US press by anonymous US officials of Mr Yitzhak Rabin as the next Israeli Labour party leader who could replace Mr Shimon Peres, open a dialogue with Palestinians and bring peace to the Middle East.

Activist turns up in Taipei

By Peter Wickenden in Taipei

HOU DEJIAN, one of three pro-democracy activists who disappeared before a scheduled news conference in Peking in May, has escaped to his native Taiwan.

He went to the Taipei prosecutor's office last night after arriving on Taiwan's east coast, and may face charges for violating its National Security Law.

Hou reportedly made a deal with China's Public Security Bureau to obtain his own freedom and protect fellow-dissidents Zhou Tuo and Gao Xin from being tried for counter-revolutionary activities.

He was flown to Fujian Province in a military aircraft, then taken to sea in a launch that stopped a Taiwanese fishing boat and put him aboard.

A popular singer on both sides of the Taiwan Strait, Hou defected to the Chinese mainland in 1983 in search of fresh inspiration, and was blacklisted by Taipei.

Later, he regretted having gone, and played a prominent part in the democracy protest in Peking's Tiananmen Square last year.

India seeks to cut oil demand

By K.K. Sharma in New Delhi

THE Indian government yesterday announced measures to curb consumption of petroleum products in an attempt to reduce oil imports this year by 2.8m tonnes and save Rs8.5bn (£288m) in hard currency.

The measures became necessary because of a rapid rise in fuel consumption in the last few years while domestic oil production has remained stagnant. The gap has been closed by higher imports which have hit India's fast-depleting foreign exchange reserves. The oil import bill was Rs64bn last year.

Although a proposal to introduce petrol rationing has been rejected because it would be both impractical and unpopular, Mr M.S. Gurupudswamy, the Minister for Petroleum, yesterday announced cuts on supplies to industries, railways, power stations, fertiliser and petrochemical plants and airlines.

Since transport, power generation and factories are bound to be affected by consumption cuts, industrial output growth is likely to drop. Private motorists are unlikely to be affected much – the only step here is to close petrol stations in towns on Sundays – and bulk consumers will bear the burden of the cuts.

The railways have been asked to reduce diesel consumption by at least 10 per cent, power stations their petroleum products consumption by 10 per cent over the last three years' average and fertiliser plants their naphtha inputs by 10 per cent.

Government vehicles are being expected to cut petrol and diesel consumption by 20 per cent. All chief ministers of states have been asked to effect a similar cut while government-owned transport corporations have been advised to reduce consumption of petroleum products by 10 per cent.

While domestic crude oil production has remained at just over 30m tonnes a year, demand has increased from 39m tonnes in 1984-85 to 54m tonnes in 1989-90. The increase in consumption was over 8 per cent last year and projections are that demand will grow by 7.6 per cent a year in the next five years to reach 78m tonnes in 1994-95.

Ex-oil minister keeps influence in Kuwait

By Steven Butler and Victor Mallet

THE removal of the energetic Sheikh Ali Khalifa al-Sabah from the Kuwaiti Oil Ministry in Wednesday's cabinet reshuffle may have sent ripples through the oil markets, but Sheikh Ali is likely to maintain his influence in Kuwaiti affairs.

Officials in Kuwait believe that Sheikh Ali will use his new job as finance minister to consolidate his hold on Kuwait's economic and foreign investment policy without altogether abandoning his interest in oil.

Mr Rashid Salim al-Ameeri, a little-known academic, was chosen as new oil minister and head of the Kuwait Petroleum Corporation. Sheikh Ali becomes chairman of the Kuwait Investment Authority, ousting his rival Mr Jassem Mohammed al-Khorafi, the former finance minister. The job of oil minister is understood to have been turned down by several potential candidates.

"Ali Khalifa has extended his power and influence," said one observer in Kuwait. "I wouldn't be surprised if he continues picking up the phone and directing KPC executives."

The Kuwait government was quick to say that there would be no change in Kuwait's oil policy. Sheikh Ali has been a leading proponent of keeping world oil prices low to stoke demand and make it more difficult for western oil companies to compete against Opec.

The policy, particularly of Kuwait regularly producing more oil than its Opec-agreed quota, produced friction with some of Kuwait's larger neighbours. Kuwait's oil policy has recently come in for direct or indirect criticism from Iran, Iraq, and Saudi Arabia.

Oil analysts speculated that the movement of Sheikh Ali may have been aimed at part toward easing this friction although a dramatic change in Kuwait's oil policy was thought highly unlikely.

"I think the Emir is taking note of the criticism," said Mr Mehdi Varzi, oil analyst at Kleinwort Benson. "Sheikh Ali's very absence at the next Opec meeting will improve the atmosphere."

The moving of Sheikh Ali, who held both the oil and finance minister portfolios in the mid-1960s, probably has as much to do with domestic Kuwaiti politics as with the horse-trading in the Organisation of Petroleum Exporting Countries.

It is thought that Sheikh Ali will attempt to clear up the financial mess from the 1982 crash of the Souk al-Manakh unofficial stock market, which left some $94bn of paper debts, before a full Kuwaiti parliament can be convened in four years time.

Food-price clashes hit Zambia

PROTEST marches, panic buying and a threat of labour unrest have followed the doubling of the price of Zambia's staple food, corn meal, AP reports from Lusaka. The powerful Zambia Congress of Trade Unions, a long-time critic of the government, demanded an immediate repeal.

Under pressure to introduce radical economic reforms, the government has raised the corn-meal price from Kwacha 114.50 to Kwacha 269 a 55lb bag. Last week, state employees received an 85 per cent pay rise, but "with this, our wage rise is a mockery," Mr Willie Mbewe, head of the Civil Servants' Union, said. "We will have to go back to the bargaining table."

In state-run food stores, Zambian shoppers snatched up the last remaining bags of corn meal still selling at the old price. In the Copperbelt province of central Zambia, some 300 people protesting at living costs marched through Ndola before clashing with armed police.

One policeman was reported injured and one demonstrator arrested. But public rage over the increases raised official fears that police could face violent mobs, as in December 1986. Then, security forces killed 15 people in price protests in Copperbelt towns. State stores were looted in the worst urban violence since independence.

The corn-meal price rise comes as inflation at 120 per cent and repayments of the $7bn (£4.06bn) foreign debt are draining two-fifths of Zambia's export income.

Cambodia coup plot 'uncovered'

By Roger Matthews in Bangkok

THE Vietnam-backed regime in Cambodia said yesterday it had uncovered a coup plot in its own ranks, further fuelling speculation that its grip on the country may be weakening.

The Khmer Rouge simultaneously claimed it had shelled Battambang, Cambodia's second largest city, following last week's joint assault with non-communist guerrilla forces, during which the town of Kompong Thon was briefly occupied.

Reports also suggest a further dip in morale among government soldiers, in part reflecting the worsening economic situation and discontent over continuing corruption in Phnom Penh, the capital.

It may be in part to combat a threatened erosion in support that the government, headed by Hun Sen, has moved against what was officially called "a traitorous force within our inner ranks". These unnamed people were said to have linked with foreign spies taking advantage of the country's move towards a more liberal economic system.

The language used and the action taken mirror recent events in Vietnam where the ruling communist party is trying to strengthen its political control, while arguing its economic reforms are progressing smoothly.

The hardline communist parties in both countries are alarmed by the pace at which parties in Eastern Europe have collapsed and by the impact, already being felt, of reduced aid from the Soviet Union.

Peking shows no sign of cutting its diplomatic, financial and military support for the Khmer Rouge, which ruled Cambodia so disastrously from 1976-79. It said yesterday that recent military successes by the Khmer Rouge and forces loyal to Prince Norodom Sihanouk, the former ruler, and those of Son Sann, an ex-Prime Minister, showed efforts to exclude any of them from peace talks could only prolong the war.

With the rainy season now under way, the balance between the opposing forces has evened out, as government troops cannot deploy their armour and heavy artillery.

Recent visitors to Cambodia say it appears small units of Khmer Rouge are roaming increasingly widely through the country.

Their main message is one of fierce opposition to what they describe as the continuing Vietnamese occupation, despite the substantial military withdrawal last September.

Reports from Phnom Penh indicate that opposition to the influence Vietnam exercises on the Cambodian Government may have been behind the alleged coup plot.

A minister arrested last month, along with several top civil servants, are thought to have been the nucleus of a movement advocating greater independence from Hanoi.

Mitterrand has it both ways at African summit

By George Graham in La Baule

FRANCE'S periodic summit meetings with its former African colonies, and any other African countries which care to join in, have not been renowned for the solidity of their achievements.

"We talk, talk, and then nothing," complained President Omar Bongo of Gabon after the last such meeting. This time, things were supposed to be different. As "the wind from eastern Europe shakes the palm trees," some of France's oldest African friends face growing opposition and unrest. The meeting in La Baule, France, would be "the summit of truth," President Bongo predicted.

La Baule's torrential rain seems to have damped some of the desire for this. In his keynote speech, President François Mitterrand tried to walk a tightrope between reassuring his African friends, and calling for more democracy. But he seems to end up with a foot on either side of the rope.

France's new African policy, as outlined by Mr Mitterrand yesterday, contains something for everybody. First, France will not abandon Africa. "France has decided to...aid Africa, whatever may be or be said," Mr Mitterrand declared, adding that France would remain Third World's loudest advocate among industrialised nations. But it would do its best to encourage democratisation.

"France will link its contribution effort to the efforts accomplished to move towards more liberty," Mr Mitterrand said.

At the conference, the president said France "does not intend to abandon any African country, as long as it embarks on the road I have tried to draw, of more and more liberty." In the official text, released later, this last condition was removed.

Yesterday, President Mitterrand explained: "Aid will be more lukewarm to régimes which are more authoritarian. It will be enthusiastic for those which take steps towards liberty."

In the text, he avoided criticism of the corruption and wastage that have afflicted so many aid programmes – a criticism many of the leaders at the summit find particularly irritating. "Perhaps there was a time when money was spread around prodigally without control. I was not there then," Mr Mitterrand affirmed. "Where is this evaporation people never stop talking about?"

His voters appear to disagree. An opinion poll conducted by Paris Match showed 59 per cent of those questioned thought French aid in Africa was applied badly.

The clearest message was on the use of French military force. Mr Mitterrand said France was prepared to intervene militarily in Africa against an external threat, but not in internal conflicts, except to protect French citizens. He pledged "not to try to organise internal political changes by plot or conspiracy."

This may be some consolation to the heads of state who had feared France might abandon them to their fates. But the last word remains with King Hassan of Morocco: "A country never dies of poverty; it is of shame that countries die."

UK NEWS

Major sets out a new role for the Ecu in Europe

By David Waller and Anthony Robinson

THE VISION of an increasingly popular "hard-Ecu" outlined by Mr John Major, the Chancellor of the Exchequer, is fundamentally different from the existing Ecu, invented by the European Community in 1979 as part of the long haul towards monetary union.

Few people have ever seen a live Ecu – it physically exists only in Belgium in the form of 5 and 50 Ecu coins. For most the Ecu is a metaphysical currency whose value is defined by reference to a basket of European currencies weighted according to the relative strengths of their respective economies and whose main practical use is confined to the issuance of ECU denominated bonds, mainly by EC institutions and countries like Italy which are most enthusiastic about the European idea.

Now Mr Major is seeking to change the nature of the Ecu by turning it in effect into another parallel european currency which would circulate alongside existing national currencies.

The timescale for this transformation is a moot point. "It will be a long time before the British public uses the ECU to go on holiday in Spain" according to Mr Paul Lovell of Thomas Cook, the travel agent.

Thomas Cook has offered an Ecu denominated travellers cheque to few takers – less than one per cent of its travel cheque business – for five years. It recently polled 300 British residents, finding that 24 per cent had heard of the Ecu, but 84 per cent of those who had never heard of it said they would use it now that they knew what it was.

But one group fo professionals – corporate treasurers – have good reason to welcome Mr Major's proposals for a new international currency for Europe.

The Chancellor's scheme would sharply reduce the complexity of a treasurer's task, at the same time as prompting a huge increase in demand for treasury skills.

At present, a UK company contemplating selling into continental Europe must come to a view on the likely relationship of sterling to as all other European currencies over many months. A complex judgement is made, a price is struck, and sophisticated and expensive hedging measures are taken to minimise the impact of currency fluctuation on margins and profits.

A "hard ECU" ought to diminish uncertainty and risk. The UK company would no longer have to assess the inter-relationship of all the EC currencies – the only judgement to be made would be whether to bill in sterling or in the the new European currency.

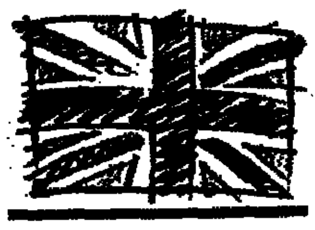
"The [Major] proposal would totally remove uncertainty and could be a total bonanza for UK companies selling into continental Europe," said one treasurer yesterday.

It would allow companies to do all their trading in one currency and could lead to an immense improvement in the efficiency of cash management services in Europe.

One treasurer predicted that "netting-centres" across Europe would be set up to deal with a company's invoices from all over Europe. "It would put enormous pressure on the banking system to become more efficient," said another treasurer.

Others were sceptical yesterday observing that Mr Major's move had perhaps come too late in the day to have any chance of being implemented "And in any case, why not just let the D-Mark fulfill the role of this new currency?" asked one treasurer who said the ECU itself could be used more than it is "but people don't like using something which is so complicated to understand".

BRITAIN IN BRIEF



BR looks to new era for trains

British Rail announced that it is to order a new generation of 155 mph trains, put out to international tender, which will significantly cut journey times between London and the West Midlands, the North-West and Scotland.

The fleet of InterCity 250 trains, so called because they travel at up to 250 kph, are expected to enter service on the West Coast route between London Euston and Glasgow in May 1994.

BR's decision to make the best of its existing lines to the north will disappoint regional organisations and other bodies which have been lobbying for the construction of a high-speed rail network to match the French system.

It will leave Britain with plans for only one dedicated high-speed line: the much-delayed link between London and the Channel Tunnel, due to open by the turn of the century.

British Gas attacked for global plan

A stinging attack on British Gas for trying to hold on to its monopoly supply of the industrial gas market and concentrating on "global domination" was made yesterday by Mr James McKinnon, the industry's regulator.

Mr McKinnon, director general of the Office of Gas Supply, was particularly critical of British Gas for failing to heed his plea to encourage a gradual introduction of competition over the next three years.

The attack suggests that relations between British Gas and its regulator are once more entering a difficult phase after a period of improvment.

In a cutting reference to the company's efforts to expand overseas, Mr McKinnon said: "I am extremely disappointed that British Gas, having stated that it welcomes competition, concentrates its competitive mind on global domination while preserving the monopoly status quo back home."

Quadrant, a joint venture between Esso and Shell, has this year become the first concern to sell gas directly to industrial customers using British Gas's pipelines.

However, Mr McKinnon yesterday told an energy conference in Edinburgh that the emergence of further competition was being thwarted by a lack of gas not already committed to British Gas.

Row over £60m aid for Nigeria

Disbrusement of some £60m in British aid to Nigeria is being held up by a disagreement between the Overseas Development Administration and the Department of Trade and Industry over whether the funds should be used to buy British goods and services.

The aid is part of an international effort to help alleviate Nigeria's chronic foreing exchange shortage, most of which takes the form of untied economic assistance from leading industrial countries.

The ODA has been seeking to follow this pattern by ensuring that Britain's contribution is also untied. ODA argues that this system ensures the most efficient allocation of foreign exchange to the Nigerian economy.

The DTI, however, regards this argument as unproven and is seeking more evidence from the ODA that British firms will not lose business if the aid is untied. ODA is understood to have the support of both the Foreign Office and the Treasury.

Executive pay levels rise

THE growth in executive pay for the most highly paid executives in Britain's biggest companies continued unabated except at the highest level where it fell, according to an analysis of executive pay and board room issues in 1989/90 by Korn/Ferry International, an executive search firm.

The median level of pay for the top executive in a company with a turnover of more than £500m has risen to £225,265 in 1989/90, up 17 per cent on the level of a year ago.

Those in the top 10 per cent of the most highly paid saw their total earnings fall 11 per cent to £413,850.

Consumption of wine up

Wine consumption in Britain, which more than doubled during the 1980s to 800m bottles a year, could reach 2bn bottles by the turn of the century, the Wine and Spirit Association (WSA) forecast.

Though there are now an estimated 30m regular wine drinkers, they drink an average of only a half-bottle a week each. "Even if they doubled their consumption, they would still be drinking less than a glass a day," said a WSA spokesman.

The WSA believed there was scope to expand the number of consumers.

Greycoat out of Edinburgh

Greycoat, the property developer, has decided not to go ahead with the £250m project for a large office and conference centre in the centre of Edinburgh, blaming the conditions in the UK property market in general.

New national dance centre

A new national centre for dance in England is proposed under plans to redevelop a site owned by Thames Water in Islington, north London.

Three alternatives have been drawn up and are to be put to the local community for consultation. by Thames Water and the adjoining Sadler's Wells Theatre. One, evolved before the theatre became involved, is for the refurbishment of the 1613-built 17th-century Thames Water property for offices, housing and a museum.

Correction

The leader of the Staffordshire County Council is Mr Bill Austin and not, as stated in the Staffordshire survey that appeared in Wednesday's paper, Mr Mike Tappin, who is in fact chairman of the county council's Enterprise Committee.

BANK OF ENGLAND STATEMENT

Stable prices seen as major goal for EC monetary integration

The Bank of England yesterday issued the following amplification of Britain's "hard Ecu" proposals. Where Mr John Major, the Chancellor, spoke on Wednesday of a European Monetary Fund, the Bank's paper refers to a Hard Ecu Bank (HEB).

The EC is committed to furthering economic and monetary integration of the economies of the member states. Stage I will not of itself secure full integration. Progressive economic integration beyond Stage I should be an organic, market-driven process, bringing with it a *de facto* narrowing of exchange rate margins. This organic process could be furthered by institutional steps.

Principles

Any institutional initiative for developing the Community's monetary framework must, however, meet four principles. It must, above all, assist convergence towards stable prices. Success in achieving that will create the conditions for stability in exchange rates, and thus for locking of parities between the national currencies. The operation of new institutional arrangements should not produce any net addition to monetary expansion within the Community.

The second principle is that the new arrangements should be able progressively to exert pressure on National Central Banks (NCBs) to curtail their monetary expansion - particularly on those that are over-expanding.

The third principle, reflecting the wider principle of subsidiarity, is that the choice of the means by which to respond to these pressures should remain, within Stage 2, fully with the NCBs.

The fourth principle is that choices made by the public and the markets should play a central part in the evolution of the new mechanism, through their interaction with those managing the new arrangements in transmitting pressure to NCBs.

The Hard ECU

The Hard ECU proposal represents one way these principles might be applied in practice, building on the existing EMS framework. In essence, the current ecu would be converted from its present form into a currency which, by definition, could not have its parity devalued in relation to any Community currency.

The "hard ecu" would accordingly match the Community currency which had the best non-inflationary performance, and hence the best-maintained purchasing power, at any point in time. Its exchange value in terms of national currencies would be guaranteed by the national central banks as the owners and managers of a new institution, or Hard Ecu Bank (HEB), which would have sole responsibility for issuing the hard ecu.

A key element in ensuring the non-inflationary character of the scheme would be that each participating central bank would accept an obligation to maintain the ecu value of the HEB's holdings of its own currency. Thus any national central bank that allowed excess supply of its own currency to develop, relative to the strongest national currency at the time and hence relative to the hard ecu, would be obliged to redeem the excess against hard currency. This would help to ensure that the HEB did not validate at the Community level any excessive liquidity creation by an individual national central bank.

Over time, the new institution could develop a capacity to exert somewhat greater downward pressure on liquidity creation within the Community. This would be accomplished by managing the interest rates on ecu liabilities so as to attract conversion from national currencies, thereby impelling national central banks to accompany their own responsive liquidity contraction by corresponding interest rate management. The effectiveness of the mechanism would depend on two factors: first the extent to which the public and the financial markets developed a demand for the hard ecu; and secondly, the extent to which the HEB was prepared to stimulate such demand.

The latter would expose the HEB to some financial risk so that, initially, its managers would be subject to tight constraints as to the interest rates that could be paid on its hard ecu liabilities and the quantities of national currencies that it could hold in its own asset portfolio, rather than laying them back on national central banks against assets.

Long-term development of the system

In due course, as experience of operating the new system grew and the hard ecu's reputation were consolidated, there might be more freedom to promote its circulation in place of existing currencies. And in time, it could even develop into a dominant common currency and ultimately into the single currency if that were the Community's chosen outcome.

That would, however, not be a preordained result. The point of the scheme is that, as the circulation of the hard ecu rose in relation to, and in substitution for, national currencies, it would provide a powerful lever for the extension of a collectively-agreed, non-inf lationarv monetary policy among Member States, which would still retain responsibility for their own national monetarv policies.

But the pace of the ecu's development would be determined by the interaction between judicious supply of hard ecus by the authorities and market demand for a strong common currency, in contrast to other schemes that foresee the transition to a single currency being determined purely by administrative fiat. It would thus satisfy each of the four principles outlined above.

One of the attractions of the hard ECU idea is therefore that its development would depend on whether it was accepted by the market. It would be a genuine evolutionary, market-based approach. It would avoid a single currency or a central institution being imposed on the Community before Europe's economy is ready for it, and therefore avoids the dangers of an activist approach. Equally, however, it would be possible that, if the hard ECU caught on, it could develop into a widely popular common currency used throughout the Community.

UK NEWS

The British Press: a final chance to put its own house in order

By Raymond Snoddy

THE UK press was yesterday given its final public warning that it has to rapidly put its own house in order if a system of self-regulation is to survive and not be replaced by a statutory framework of legislation.

The Calcutt Committee report on privacy and the press published yesterday argued that however vital freedom of expression in a democratic society all rights carried responsibilities especially when those exercising them had the potential to affect other people's lives.

The main recommendation of the report is the abolition of the Press Council, since 1949 the voluntary industry body dealing with complaints against the press and its replacement with a new Press Complaints Commission which would, at least to begin with be a non-statutory body.

Mr David Waddington, the Home Secretary, said he accepted the main recommendations of the report wanring: "This is positively the last chance for the industry to establish an effective non-statutory system of regulation and I strongly hope that it will seize the opportunity.

"If no steps are taken to establish a Commission the Government will set up a statutory framework taking account of the Committee's recommendation," the Home Secretary told the House of Commons.

Mr Simon Jenkins, a member of the Calcutt Committee and now editor of The Times, said yesterday he believed the report offered a pefectly acceptable workable framework for the continuation of self-regulation.

The Association of British editors, however, described the report as "another turn of the screw against the free working of the press in Britain."

One national tabloid editor, who asked not to be named, said the report was " a living disaster " which would hinder investigative journalism.

The report itself contained a blunt warning for the British press. "It must now demonstrate that it can discharge its responsibility and that, through its own conduct and self-regulation it can command the confidence of the public. If it is not prepared to put and keep its own house in order, further legislation must follow."

"We consider it particularly important to emphasise the break from the past " the report says in seeking up a new body with the specific task of adjudicating on complaints of press malpractice.

The new Commission, which would have the sole task of adjudicating on complaints against the press would have to be seen as "authoritative, independent and impartial. "

The Commission would publish, monitor and implement a comprehensive code of practice for the guidance of both the press and the public - a code much more detailed than previous codes produced either by the Press Council or the combined editors of national newspapers.

The Commission would have the right to say a complainant should receive an apology from a newspaper and even set the terms of such an apology.

The Commission, which should be properly funded by the press, should also operate a 24-hour hot line for people who believed, for instance they were about to have their privacy invaded or otherwise mistreated.

The Press Commission would have an independent chairman and no more then 12 members to be chosen by an Appointments Commission. Members would not be nominated by newspaper industry bodies although the Calcutt Committee would expect the majority of the members to have expperience at the highest levels of the press.

Calcutt acknowledges that he is setting a stiff test for the press. If for any reason the Press Complaints Commission fails then the screw will be progressively tightened.

The first step would be to turn the Commission into a statutory body on the lines of the Broadcasting Complaints Commission if maverick publications ignore its authority.

Latest news: a choice for the industry between voluntary and statutory reform

Calcutt goes further and recommends that there should be two separate triggers for ending self-regulation of the newspaper and magazine industries and replacing it with a new statutary body chaired by a judge or senior lawyer sitting with two assessors - the Press Complaints Tribunal.

The first trigger would be a failure by the press to set up and support a Press Complaints Commission within 12 months of the publication of the Calcutt report.

The second trigger would be "a serious breakdown of the whole system of self-regulation which rendered the Commission ineffective." This could happen if there was a less than overwhelming rate of compliance with adjudications.

A Tribunal, if one was appointed would probably take evidence on oath, would have the power to award compensation, at least in cases of privacy or inaccuracy.

Although proposing tough new systems of self-regulation, possibly to be followed by a statutory approach, Calcutt ruled out both a statutory right of reply and a statutory right of privacy.

Calcutt argues that an individual who is the subject of a seriously inaccurate story should be able to seek a correction but that this is better dealt with through a code of practice. The Committee was not convinced that it would be easy to decide whether a story was inaccurate under a speedy and informal procedure.

The Committee believed it was possible to draw up a tort on infingement of privacy but that on balance it would be better not to do so on the assumption that the improved scheme for self-regulation will be made to work.

The Committee does however make important recommendations for new laws to increase protection of the privacy of the individual.

In future it should be a criminal offence in England and Wales to enter private property without consent to obtain personal information for publication. This would include placing a recording device, taking photographs or recording voices without permission on private property. Private property would include an individual's house and immediate garden but not adjacent fields or parkland. It would also cover hotel bedrooms and those parts of hospitals or nursing homes where patients are treated or accommodated.

Such physical intrusion could be defended if it was in order to expose, or prevent a crime or "seriously anti-social conduct " or to protect public health or safety.

The Calcutt Committee would also like to see any inconsistencies removed in the identification of minors in criminal cases and the extension of the prohibition on identifying rape victims to cover victims of sexual assaults.

● CALCUTT'S proposed new code of practice for the press, written by Mr Simon Jenkins, a member of the committee and now editor of The Times, could change the face of Britain's tabloid newspapers if implemented and honoured.

The proposed code, much more detailed than any previous code, says that making inquiries about, or publishing details about, people's personal lives "is not generally acceptable."

A person's personal life is seen as including matters of health, home, personal relationships and documents. Intrusion can only be justified when exposing or detecting crime or other seriously anti-social conduct, protecting public health or safety or preventing the public being misled by some public statement or action by the individual involved.

Individuals or organisations should also be given "a proportionate and reasonable opportunity to reply" to criticisms or alleged inaccuracies published about them.

The code details new explicit rules on discrimination and makes clear that newspapers should avoid prejudicial or pejorative references to a person's race, colour, religion, sex or sexual orientation or any physical or mental illness or handicap."

There is new protection proposed for the "recently dead."Newspapers, the proposed code says, should apply the same principles of accuracy, respect for privacy and non-discrimination to stories about people who have recently died as to stories about the living.

The first victim of such a code would be tabloid stories exposing the private lives, relationships and sexual orientation of show business personalities - the very staple of the circulation wars at the mass end of the newspaper market.

City investors say quality of analysts' research is falling

By Richard Waters

THE number of investment analysts working in the City of London has fallen by just 5 per cent over the last year, to 1,900, despite investment managers' claims of huge overcapacity.

The figure is contained in this year's annual survey by Extel Financial of investment managers' views of anaylsts, which is based on the views of 102 managers.

As in last year's survey, most of the institutional investors polled by Extel thought that there were at least twice as many investment analysts as needed and nearly half of the investors thought that the quality of the research produced is deteriorating – a familiar complaint in recent years.

Despite these scathing findings, and the withdrawl of some securities firms from the UK equity market, the authors of the Extel survey say that most analysts who have been laid off in recent months have found jobs in other firms. The survey was completed before the closure of Kitcat & Aitken.

More bad news for the analysts from the survey is that most managers reduced the number of securities firms which they use, and nearly half have increased the amount of in-house research.

James Capel was ranked the top house by investors for the 11th year in succession, although some cracks appeared in the firm's reputation. Its share of the total weighted votes, though comfortably head of second-placed Warburg Securities, fell over the year from 17 per cent to 15.6 per cent, and the majority of managers said they thought that quality of its work was deteriorating.

The survey was carried out before the rash of departures of highly rated analysts suffered by Capel this Spring, suggesting that its rating would be considerably lower if the exercise was repeated now.

Analysts who are rated by the investment managers as the best in their sector, and who have left Capel recently or are due to leave, include Tim Corran (breweries and distilleries), Simon Hayes (other industrial materials), Richard Dale (agencies), Terry Smith (banks) and David Poutney (merchant banks, and other financial companies).

These and other losses are expected to eradicate much of Capel's traditional lead over other houses. However, it will not become clear until next year whether the loss of its "stars" pushes Capel from the number one slot or whether strength in depth in its existing teams of analysts together with new recruits can keep it ahead.

Among the other leading firms, Barclays de Zoete Wedd lost ground on Warburg, which had overtaken it to reach second place the year before while Kleinwort Benson Securities again jumped a place, leapfrogging UBS Phillips & Drew to reach the fourth slot.

Kleinwort, which was ranked only 13th five years ago, was highly regarded, with 91 per cent of managers saying that its research was improving. Also, investors believed that they were getting first sight of research produced by Kleinwort's analysts unlike research produced by Warburg BZW and P&D, which the managers believe is put at the disposal of corporate finance and market making activities before being released to investors.

US clashes with third world over funding for ozone protection

By John Hunt, Environment Correspondent

PROPOSALS to establish an aid fund to protect the ozone layer ran into trouble at an international conference in London yesterday when the United States clashed with representatives of third world countries.

A group of developing countries protested that the conditions which the US is trying to attach to the fund are completely unacceptable.

The US argued that as potentially the biggest donor to the fund it should have the biggest share of the votes on the executive council which will administer the money. It also wants a permanent seat on the council as of right.

The fund would help developing countries obtain substitutes for CFCs (chlorofluorocarbons) which thin the ozone layer. The ozone depletion results in increased ultraviolet radiation which can cause skin cancer and contributes to global warming.

The discussions are taking place at a conference on the Montreal Protocol, the international agreement to phase out CFCs and other ozone depleting chemicals.

Ambassador Juan Mateos of Mexico, speaking on behalf of a group of 77 developing countries, flatly rejected the conditions laid down by the United States.

He said it was unacceptable that one country should have such an advantage over others. He wanted a strong, democratic executive that could implement a multilateral fund.

Another third world representative said the United States was taking a negative attitude.

Ms Liz Cook, US ozone campaign director of Friends of the Earth, accused the US delegation of arrogance and said it was frustrating the negotiations.

The American administration has taken a very cautious attitude towards the fund. In May it said that no new money should be given to it but later abandoned this position after it provoked international criticism.

Yesterday US representatives at the meeting were still taking a very cautious line. They warned that any agreement on an ozone fund should not be taken as a precedent for the establishment of an international fund to prevent global warming. This would be a much larger and more complicated task than protecting the ozone layer.

MANAGEMENT

Three and a half years ago Deutsche Bank, West Germany's biggest bank and one of Europe's most admired financial institutions, spent $603m buying Banca d'America e d'Italia, (BAI) the 99-branch Italian retail banking subsidiary of the then-troubled Bank of America.

Since then, the Germans have made a string of acquisitions from Canada to Australia, culminating in last December's £950m purchase of Morgan Grenfell, the UK merchant bank.

But BAI was Deutsche Bank's first big foreign sally - and the first time any German bank had switched from the previously uniform policy of organic growth or consortium banking to acquisition as the way to expand abroad. Not all were convinced it would work.

Today the purchase is seen both within Deutsche Bank and among its competitors as one of the most clever of its many deals. With foreign banks scrambling to gain ground in Italy – and paying huge prices for the privilege – what seemed at the time like a king's ransom for a less than glittering bank now looks like a bargain.

Not that Gianemilio Osculati saw it in such simple terms. For Osculati – former head of the European banking practice of consultants McKinsey, and who was originally hired by Bank of America for the top job at BAI in January 1987 but found himself becoming a Deutsche Bank employee instead – it was hardly plain sailing.

BAI's appeal to the Germans was its nation-wide branch network. Although spread thinly, it was well represented throughout Italy – a priority for any foreign purchaser in view of the Bank of Italy's then-strict ceiling on new branch openings and preference for maintaining a highly segmented banking market.

Indeed, BAI was one of a kind. Most nationally-represented banks are owned by the state and privatisation is not on the cards. The only two other private sector banks with national networks were Nuovo Banco Ambrosiano and Banca Nazionale dell'Agricoltura and both were problem-ridden and not for sale.

But despite BAI's geographical attractions, much ground had to be made up in terms of both products and investment. At the time of the takeover, the bulk of its business came from medium-sized companies, often of differing credit quality.

European banking

BAI gives a good account

Deutsche Bank's low profile approach towards the integration of its Italian subsidiary, which it bought for $603m from Bank of America, is paying off, reports Haig Simonian

GIANEMILIO OSCULATI

Banca d'America e d'Italia

Lire million	1986	1987	1988	1989
Deposits	3,691.9	4,061.3	4,418.9	5,293.8
Managed funds*	2,275.0	2,821.0	3,700.0	4,732.0
Borrowing by clients	2,448.9	2,912.6	3,672.8	5,518.6
Shareholders' funds	411.3	446.1	483.6	531.1
Gross income	349.8	398.1	454.9	521.6
Operating costs	295.9	318.5	368.2	415.4
Operating profits	53.8	79.6	86.7	106.2
Net profits	1.3	35.2	37.7	47.5
Employees	2,920	2,880	2,958	2,995
Branches	99	99	99	100

* Nominal values, equities excluded

Top corporations had not been hotly pursued, while retail banking had been underplayed.

Apart from its branches, BAI's main asset was its big franchise in Visa credit cards and a sizeable share in the then relatively small Italian consumer finance market. "The bank was living off the fruits of 20-year-old decisions to go into credit cards and consumer finance. Much of the rest was antiquated," says one analyst.

Osculati admits: "There was a tremendous gap to recover between the quality levels of BAI and those of Deutsche Bank." Although hardly paragons of efficiency today, BAI at the time lagged behind even the mediocre service standards to be found at most of its domestic rivals. Service was "somewhat embarrassing," Osculati agrees.

Deutsche Bank had two options: to "Germanize" BAI by transplanting standard procedures and systems from Frankfurt; or to set standards for what a Deutsche Bank subsidiary in Italy should be, and leave BAI to achieve them. The Germans chose the latter. "We were totally free – to perform up to their expectations," quips Osculati.

BAI's Italian management immediately set two yardsticks; catching up with other domestic Italian banks, and then overtaking them to attain the quality demanded by the new German parent. Reaching those targets required substantial changes in technology, management and even modernisation of premises, all of which had been allowed to run down. Osculati identifies three distinctive stages in the recovery process: cost control and improving standards of staff; investment in technology and branches; and building on its relationship with Deutsche Bank.

The year after the acquisition was devoted to cost reductions and attracting new staff. "We selected the best people available both in Italy and outside," he says. Reflecting his freedom to pick freely beyond the Deutsche Bank network, senior newcomers included a chief treasurer formerly heading that department at First Chicago in Geneva; a deputy chief executive who had been managing director of General Foods' Italian subsidiary; and a head of consumer finance taken from Citibank.

Friction from existing staff was minor, he claims. Foreign ownership meant the bank would remain isolated from the political considerations that can sometimes bedevil personnel policy in state-owned Italian banks. And with Deutsche Bank representing a new chance for the bank, particularly in view of the former lack of investment, there was surprisingly little anxiety about heavy-handed Teutons disturbing the more easy-going Italian order.

"People were happy to have Deutsche Bank rather than Bank of America," he says. But one key element undoubtedly promoting harmony was the German bank's willingness to keep to the background.

Like Allianz, the big German insurer which bought Riunione Adriatica di Sicurta, Italy's third biggest insurance company, at about the same time, the strategy of keeping to the sidelines appears to have born fruit. Deutsche Bank even shut its own existing Milan branch after the purchase, and transferred hardly any of its German expatriate staff to its new acquisition.

Even today BAI presents itself very much as an "Italian" bank. While playing up the German image when it comes to service and reliability, the Deutsche Bank relationship remains discreet on buildings or stationery.

The flow of new blood into BAI was also eased by the bank's relatively old age profile, meaning that a number of staff slipped into retirement. Some others were probably pushed, although Osculati is reserved about the less voluntary departures. "These things happen silently, but they happen," he says.

While new staff are part of the picture – BAI has hired about 700 people in the past three years – investment in both buildings and technology has constituted much of the rest of its attempt to reach Deutsche Bank's benchmark.

By 1989, spending on automation alone amounted to $25,000 per employee – double the levels of two years earlier. Apart from completely renewing its information system, the bank also doubled its spending on the physical appearance of its branches to make them more attractive to the increasing numbers of retail customers it hoped to attract.

Earnings began to reflect the change surprisingly soon. Although most Italian banks had a poor year in 1987 compared with the previous year's boom, both BAI's net and operating profits increased as the first fruits of its cost reduction programme came through. The rise was smaller in 1988, which bore the brunt of the investment programme, but the bank was back on course by 1989, with a rise of about 27 per cent in net profits of L47.5bn.

With the recovery phase over, BAI is now aiming to capitalise on its Deutsche Bank connection. Sophisticated treasury products like swaps, and banking services for top corporations, are two complementary fields in which it believes it can develop a competitive edge, even compared to much bigger Italian rivals.

"We can now develop a significant role in playing the network game," say Osculati. He draws attention to the fact that Italian banks have been slow to establish international branch networks outside the domestic market, while many have also lagged in developing the new lending products increasingly required by their big corporate customers.

BAI's shift of emphasis has involved a big switch away from the middle-market companies courted in the past. Although some 20,000 smaller company accounts have been retained, all the riskier small credits have been terminated.

The change has involved "a massive re-training of account officers," who have had to become familiar with a range of new domestic and international products for the bank's new target market, says Osculati. Drawing on Deutsche Bank's international network BAI has developed and marketed heavily services such as cash transfers for big companies. "We want to become the Hausbank for top Italian companies," he adds.

The bank's identification of treasury products like interest rate and currency swaps as important selling points comes at a time when big Italian companies have become more liquid, making them less dependent on traditional loans, and increasingly sophisticated in handling their funds.

BAI is already the domestic market leader in currency swaps, with over 10 per cent of the market, according to Osculati. It is climbing the ladder in the commercial paper market, and hopes to become the market leader in interest rate swaps by the end of this year.

BAI also expects to play a bigger role in the Euromarket business in order to service the international funding needs of big Italian companies, which have been assiduous takers of Euromarket funds.

Responsibility for all Eurobond issues, apart from those in D-Marks, is currently centralised at Deutsche Bank Capital Markets (DBCM), the bank's London-based Euromarket nerve-centre. However, BAI expects to play an increasingly important role in lira-denominated issues, where borrowers are either Italian in origin or international entities which keep in close touch with the Italian market. "The bank is big enough to carry out the task," according to Osculati.

"Quality" and stress on the longer-term are the unifying themes behind all its aspirations. Whether in corporate banking, treasury products or even consumer finance and credit cards – two inheritances from the "old" BAI, which the new management has striven to enhance – the stress on quality is constant.

That contrasts with the traditional practice of Italian banks, with short-term solutions often gaining priority over longer-term judgements. Osculati's message, which so far has gone down very well in Frankfurt, is: "Don't improvise. Don't just look at the short term. Serve customers well. Profit will follow."

Envy of W German financing unfounded

By Simon Holberton

When British industrialists cast an envious eye in the direction of West Germany they frequently cite, with approval, the role the banks in that country play as providers of finance.

German banks, it is said, are the key source of finance for companies. This obviates companies from going to the stock market for finance; it makes companies less vulnerable to takeover, and it fosters a climate conducive to taking the "long term" view.

Industrial companies in Germany may well be able to take a long term view, but the German financial system, as a provider of capital for industry, does not appear to be the reason for it.

Research by Colin Mayer and Ian Alexander* of City University Business School, presented to the Centre for Economic Policy Research yesterday, suggests that in aggregate the sources of finance for UK and German industry is remarkably similar: little comes from either the bond or equity markets in either country. Banks in both countries are the main providers of external finance and, they conclude, there is no evidence that bank finance has been greater in Germany than the UK.

At the level of the largest, companies in both countries fund their investment through retained earnings and bank finance, except that the banks in the UK provide a greater proportion of finance for investment than do German banks. (German banks provide a bigger amount of finance to medium-sized and small companies.) In both countries the stock of equity has contracted. The top companies in the UK and Germany have been net purchasers of equity, either through takeover or merger.

The sources of finance for investment in both countries are remarkably similar; so to the percentage of post-tax profits devoted to investment. The major difference is in dividends. UK companies pay out far more of the post-tax profits in dividends.

Between 1982 and 1988 in the UK the percentage of post-tax income paid out in the form of dividends rose from 28.5 per cent to 31.5 per cent; in Germany over the same period the dividend payout ratio rose from 15 per cent to 17.6 per cent.

Mayer and Alexander's findings appear to confound some hypotheses in corporate finance. Close relations between banks and companies such as exist in Germany ought to encourage the use of bank finance. The London stock market is well-informed about UK plc, thereby vitiating, in theory, the need for companies to use dividends for signalling purposes. Yet, UK companies pay out a lot of cash in dividends.

To explain this conundrum, Mayer and Alexander suggest the answer lies in the nature of the "market for corporate control" in the UK and Germany. In the UK hostile takeovers are prevalent while in Germany they are virtually unheard of. They suggest that the threat of takeover encourages a higher level of distributions than would otherwise be the case.

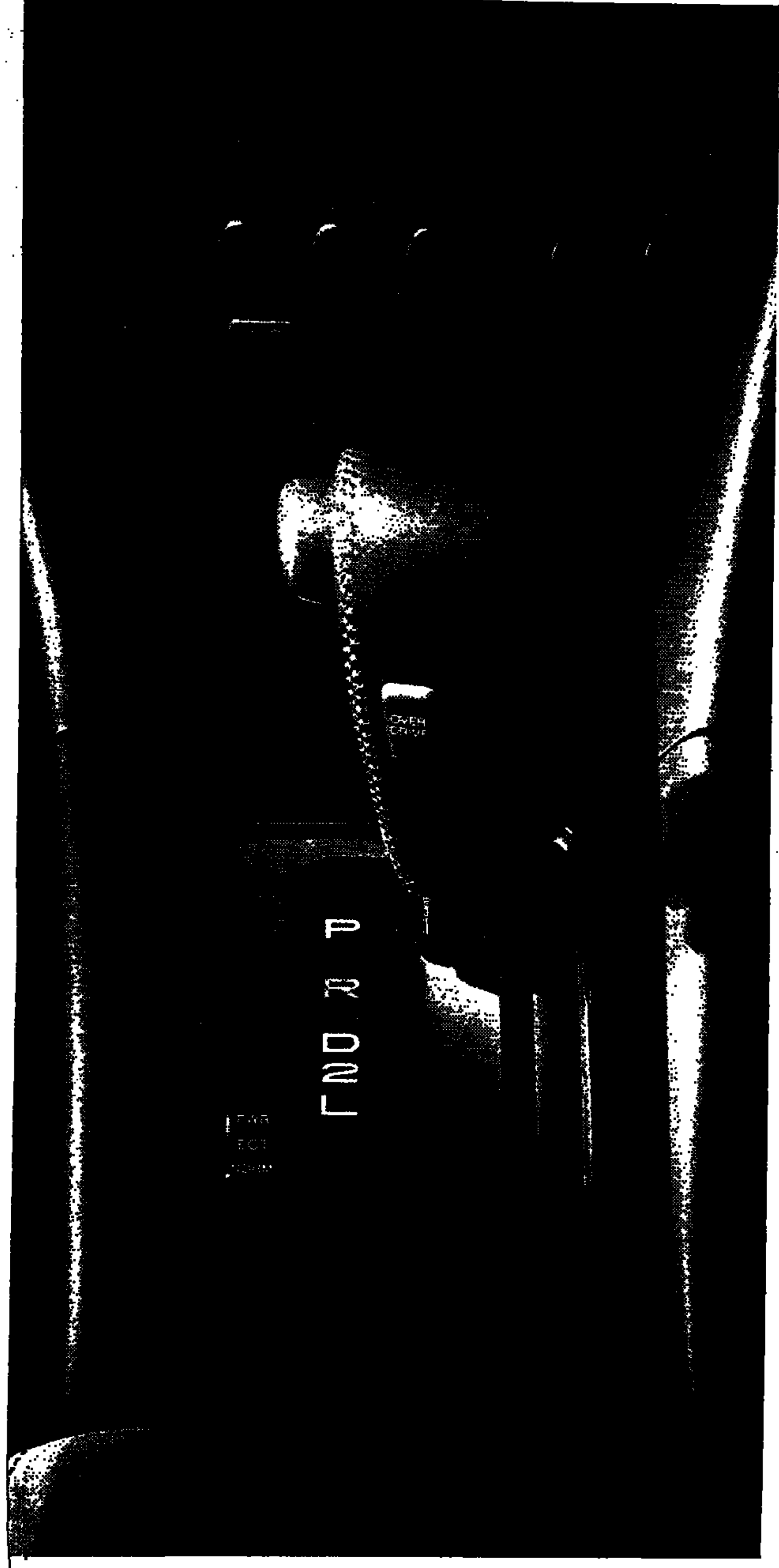
German banks control a lot of companies in Germany through direct stock ownership and as custodians of proxies for other investors. At the medium-sized level long-term bank loans are an important form of control as well.

Banks and securities markets: corporate finance in Germany and the UK: Centre for Economic Policy Research, Discussion Paper No. 433; 6, Duke of York Street, London, SW1Y 6LA.

Net Sources of Finance for Investment UK-West Germany 1982-88 (%)*

	Germany	UK
Retained profits	137.9	112.5
New Equity	-10.2	-11.3
Medium and long-term loans	8.8	14.1
Short-term loans	-4.0	-25.6
Trade Credit	-32.6	-9.9
Dividend pay-out ratio	13.4	30.9
Investment ratio	75.2	78.0

*Unweighted averages for the 77 largest non-financial public companies in Germany and 77 largest non-financial companies in the UK. Source: Mayer and Alexander



THE STORY OF THE TRANSMISSION THAT TALKS WITH THE ENGINE.

You're about to witness a conversation between an automatic transmission and an engine computer. "Shift speed reached", the engine computer informs the transmission computer. "Proceeding to shift", the transmission replies. Immediately the engine computer reduces power output for a split second and gives the command, "Shift now." The transmission computer completes the shift and then advises, "Resume normal power."

While this continuous dialogue is going on, the driver is blissfully unaware of its benefits. "The four-speed automatic . . . shifts with the gentleness of a Lotus blossom in the wind", wrote a leading newspaper. It means that all 180 kW are brought into motion in an almost imperceptible way, even during dramatic transitions when Lexus accelerates from 0-100 km/h in 7.9 seconds or climbs to its maximum speed of 245 km/h.

The newly developed 4.0-litre V8 engine is able to generate this extraordinary power by using four valves per cylinder — two for intake and two for exhaust. This results in deep easy breathing that both increases output and decreases fuel consumption. For smooth operation, aluminium valve lifters have been used to reduce valve train inertia, thereby all but eliminating noise and friction.

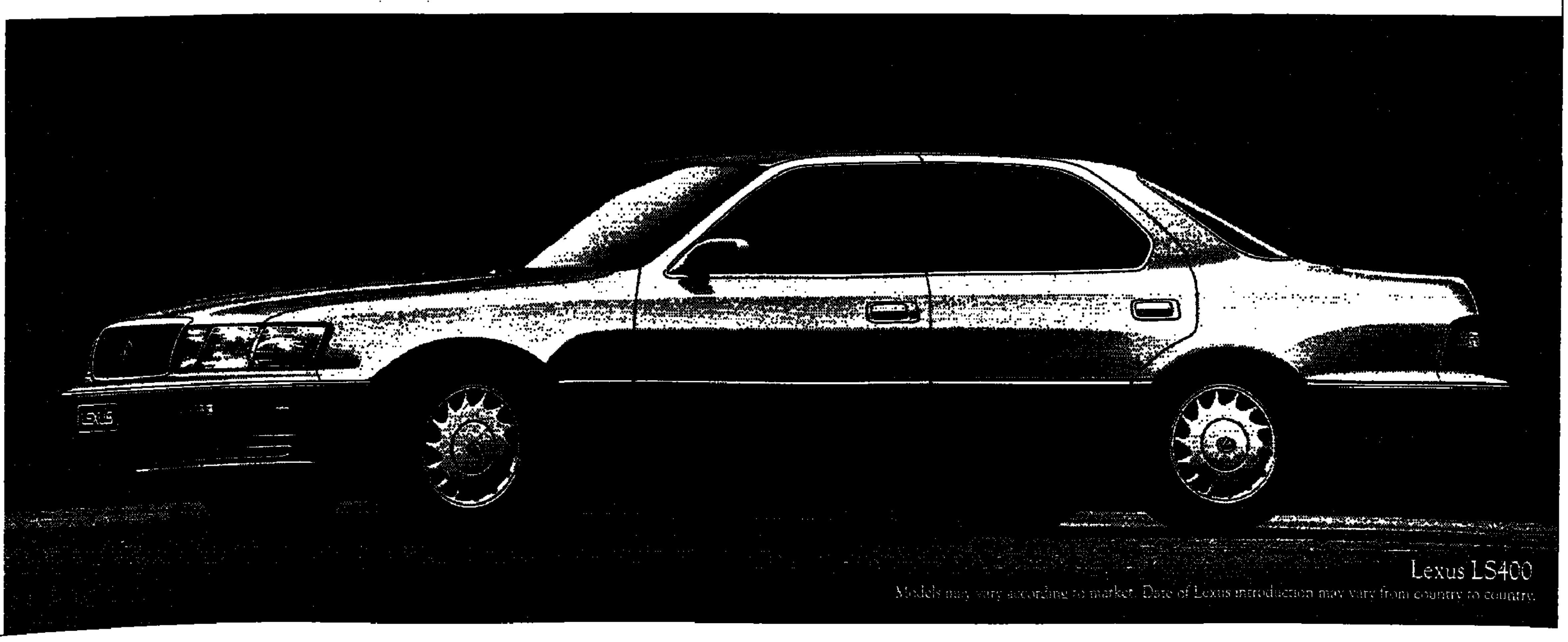
The new V8 engine, however, is only one example of the Lexus engineering philosophy: to develop a totally new automotive concept instead of reworking an existing one.

INSPIRED TO PERFECTION.

It led to the mobilization of Toyota's most talented engineers and designers, toward a relentless pursuit of perfection to create the world's most advanced high performance luxury car. A dedication to continually improve, perfect and never be satisfied. The result has turned another page in the history of the automobile.

LEXUS

A New Division of Toyota



TECHNOLOGY

Louise Kehoe on the business opportunities which eastern Europe offers to semiconductor companies

The new frontier for western chips

Jeffrey Grammer, managing director of eastern European enterprises for a leading Silicon Valley chipmaker, returned from one of his recent trips to the Soviet Union with an unusual trophy – a Soviet built IBM-compatible personal computer.

Shipping a personal computer from Minsk to Silicon Valley must be the 1990 equivalent of "coals to Newcastle", but the executive of Chips & Technologies, a semiconductor manufacturer that specialises in personal computer "chip sets", has used the Soviet computer to persuade colleagues that the Soviet Union offers exciting new business opportunities.

While there are more than 30m personal computers in use in the US, estimates put the number in the Soviet Union at between 100,000 and 300,000. Most are imported "clones", although the Soviets are trying to build up their own production to meet the increasing demand.

The Soviet version of an "XT" class IBM personal computer does not look much like the desktop personal computers seen in the US or Europe. It is housed in a crude metal box about twice the size of most personal computers. Inside are five large circuit boards, each containing dozens of Soviet "clones" of US-designed semiconductor devices crudely soldered, apparently by hand. Two of the boards are populated with Soviet-made 64Kbit D-Ram chips.

In contrast, US and Asian built IBM-compatible personal computers usually contain a

While there are more than 30m personal computers in use in the US, estimates put the number in the Soviet Union at between 100,000-300,000

single, smaller circuit board and 1Mbit D-Rams that can hold 16 times as much data.

The Soviet-built power supply is also big by modern standards, about five times the size of the little metal box to be found inside a typical desktop personal computer. Disk drives are housed in a separate, equally cumbersome enclosure.

The Soviet "XT" is not 100 per cent IBM compatible, says Grammer, and he has not been able to make it work since shipping it to the US.

Although it looks like an antique, the Soviet PC was built in late 1989 and represents the state of the art in Soviet personal computer manufacturing.

It demonstrates the computer technology gap between East and West, but is also testimony to the ingenuity of Soviet engineers. "You have got to give them credit. They produced this machine without the benefit of component manuals and in a very crude manufacturing situation," says Grammer.

The Soviet-built personal computers are the only ones available to many Soviet university researchers and students, he explains. "They can be purchased for rubles, whereas imported personal computers must be bought for hard currency."

Chips & Technologies, which has integrated all of the essential functions of an IBM-compatible personal computer on to a handful of integrated circuits, is exploring the potential for new business in the Soviet Union and in parts of eastern Europe.

"There is a large potential market for personal computers in the eastern bloc. It may take years to develop, but we want to be in a position to participate, however long it takes," says Gordon Campbell, Chips & Technologies' chairman and chief executive.

For Chips & Technologies, as well as for other US semiconductor manufacturers, the eastern bloc has until recently been a forbidden zone. Even personal contact with Soviet officials has been severely limited. That is beginning to change, as relations between the two countries warm.

Cypress Semiconductor, another growing Silicon Valley semiconductor company, hosted a visit by Soviet officials earlier this month which culminated in an agreement to form a US-Soviet semiconductor joint venture. Cypress is to be licensed to use Soviet semiconductor process technologies as well as certain Soviet chip designs. Cypress will pay royalties to the Soviets.

Gordon Campbell compares a circuit board from a Soviet built PC with a more compact and powerful western one

Details of the arrangement have yet to be worked out, but Cypress is optimistic that it can blaze a new trail of collaboration between the US and Soviet semiconductor industries.

In a related move, Cypress is participating in a US-Soviet business consortium called Econotech, comprised of representatives of Soviet Ministries and Enterprise Groups as well as US industrialists aimed at developing business relationships.

Cypress Semiconductor's aggressive approach to working with the Soviet Union is the exception, rather than the rule, in Silicon Valley. Other US chip makers are taking a more cautious approach. The immediate opportunities for sales appear limited, they claim.

Export controls remain a major barrier to doing business in the eastern bloc, several industry representatives noted. "While personal computers containing our microprocessor chips can be exported to the Soviet Union, we cannot sell them the chips," noted a spokesman for Advanced Micro Devices.

US-Soviet trade experts also caution that there are many difficulties associated with doing business with the Soviets.

"Over the past three years about 1,000 US companies have signed letters of intent to enter into joint ventures with Soviet entities," says Keith Rosten, managing director of the Accord Consulting Group of Mountain View California, and author of a recent study of US-Soviet joint ventures.

"But only approximately 140 have led to the formation of joint ventures of which only about 25 per cent have commenced operations," he continues. The vast majority of planned US-Soviet ventures fall by the wayside. This is particularly true in the case of high-technology deals.

Dozens of US, European and Asian companies have signed agreements with Soviet entities to sell large quantities of personal computers, but very few have been implemented.

A major difficulty is the Soviets' lack of hard currency. The current economic and political instability has compounded the problem, according to US high-tech executives. The various Soviet Ministries are signing agreements to purchase, for example, large numbers of personal computers but are competing among themselves for a limited fund of convertible currency, US trade experts say.

Despite such problems, major US personal computer manufacturers are enthusiastic about the prospects for expanding their businesses into the eastern bloc as export controls are eased. International Business Machines recently won an order for 13,000 personal computers to be used in Soviet schools.

Apple Computer is also taking a keen interest in the Soviet education market and the company is putting together a network of local distributors. "We will form joint ventures with local companies that understand the business environment," explains Kent Edquist, general manager for eastern Europe, "we will work with them to participate in building up the infrastructure."

Hewlett-Packard, which has maintained a presence in the Soviet Union for the past 17 years, has already established a dealer channel for its personal computers in the Soviet Union. Recently the company has expanded its Vienna sales office, which has primary

Dozens of companies have signed agreements with Soviet entities to sell large quantities of PCs, but very few have been implemented

responsibility for eastern bloc sales, and has added to its Moscow staff.

Patience and a willingness to work with the Soviets as they attempt to build modern industrial infrastructure will be essential ingredients of success in the emerging Soviet market for personal computers and personal computer components, US industry executive believe.

Solar wings take flight

AN AEROPLANE powered solely by the sun will attempt to fly across the United States next month to demonstrate the potential of a solar film technology developed by Sanyo, of Japan.

The flexible Amorton film is just 0.12mm thick, and can be formed around three-dimensional or curved surfaces. It will be applied to the wings and tail of the Sun Seeker aeroplane to power an electric motor which will propel the one-man machine on the seven-day journey.

The film comprises layers of transparent electrodes, amorphous silicon and metal electrodes on a transparent, heat-resistant plastic film backing. A protective coating is then glued on to both sides of the Amorton film.

Potential uses for the film are numerous: as a sail on boats; as a vest worn by hikers which can double up as a portable power pack; or for use on satellites.

● More down to earth is a UK development to harness the sun's energy as it floods through the glass windows of office buildings.

Developed by Solaronics, of Essex, the solar window uses transparent channelled plastic sheets which can be built into double glazing systems or the tinted glass walling common in many modern buildings. Running between the plastic sheets, manufacturered by GE Plastics, is a water-based fluid which heats up both as the sun's rays pass through it and as heat from the building passes out.

The fluid is fed through a heat pump to provide space and water heating or air conditioning.

Compaq speed is of the essence

COMPAQ Computer, of Houston, this week upgraded its mid-range personal computers with new laptop and desktop models that incorporate a 20MHz version of Intel's 386SX microprocessor, writes Louise Kehoe.

Compaq's latest laptop computer, the Compaq SLT 386s/20, is 50 per cent faster than personal computers built on the 16MHz version of the chip and nearly twice as fast as older 286 models. Aimed at financial analysts, consultants and software developers, the new laptop is the most powerful of its size

Options include a 120 Mbyte or 60 Mbyte fixed disk drive. US prices are $7,499 (£4,350) and $6,799.

Compaq's addition to its desktop range is a workhorse machine for the office also based upon Intel's 386SX chip. US prices range from $3,299 for a version with a single floppy drive to $5,299 with a 160 Mbyte fixed drive.

Acrylic fibre repels bacteria

AN acrylic fibre which can prevent the build-up of dangerous bacteria, and so will be particularly useful in the food processing and medical sectors, has been developed by Courtaulds Research.

The material, called Courtek M, contains a combination of two metallic salts, one to control bacteria and the other fungi. These are bound into the the fibre matrix at the initial production stage, so that washing the fabrics does not flush out the salts.

Courtaulds envisages that the fibres will be mixed with more traditional materials, such as cotton, before being made into clothing. A mix of 80 per cent cotton and 20 per cent Courtek M, say, would produce a suitable fabric for overalls or cleaning cloths used in food processing.

Another early application is likely to be in filters for air conditioning systems, to help prevent outbreaks of disease.

Magnetic power attracts pollution

A HUGE magnet, built in the Netherlands, is helping to save one of England's most renowned beauty spots from the ravages of pollution.

The beauty spot is Lake Windermere, in England's Lake District. The culprits are algae, which thrive on the phosphates in the lake that appear as a result of the breakdown of human waste and household detergents in sewage from the Ambleside sewage works.

The algae is threatening to destroy one of the lake's rarest inhabitants, the Arctic Char, a fish which can be traced back to the Ice Age.

To tackle the algae North West Water is conducting trials with a one-tonne magnet, developed by Smit Nymegen, which extracts the phosphates from the water.

The phosphates are treated with a coagulant, which then sticks the chemicals to [illegible] netic substance, [illegible] which is fed into the [illegible] sewage.

The water with its [illegible] phate and magnetite [illegible] then passed through a [illegible] magnetic field in the [illegible] the magnet, and the phosphate is attached firmly [illegible] a metal mesh, which is [illegible]larly cleaned.

WORTH WATCHING

by Della Bradsha[illegible]

Sitting down on carbon fibre

FROM tennis rackets to aeroplanes, many industries have been revolutionised by the use of advanced carbon fibre composites, writes Laura B[illegible]. Now it could be the turn of the furniture industry.

Finnish furniture manufacturer Martela, of Helsinki, has developed a stackable chair with a frame made of a multi-layered sandwich of moulded beech and carbon fibre. The layers are glued together and compressed, and then bent into the required shape.

As a material, carbon fibre is strong and elastic as well as extremely light. The Martela chair weighs only 2.7kg and is much more resilient than if made of wood alone.

The use of carbon fibre and wood materials is likely to be extended from chairs to office furniture, says Martela, not only because of added durability and lightness, but because the amount of wood used can be reduced by 30 to 50 per cent.

The only drawback is that carbon fibre is expensive and Martela's first chair, at £220, costs more than a comparable conventional chair.

Contacts: Sanyo: Japan, 06 991 1181. Solaronics: UK, 0621 772585. Compaq: US, 713 370 0670. Courtaulds Research: UK, 0203 688771. Smit Nymegen: Netherlands, 80 588911. Martela: Finland, 0 56031.

CONTRACTS & TENDERS

NIPPON WARRANT FUND
Société d'Investissement à Capital Variable
14, rue Aldringen
Luxembourg

R.C. Luxembourg B 24400

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders of NIPPON WARRANT FUND, SICAV will be held at the registered office in Luxembourg, 14, rue Aldringen, on Friday, 6th July, 1990 at 11.00 a.m. with the following agenda:

1. To hear and accept:
   a) the Management Report of the Directors.
   b) the Report of the Auditor.
2. To approve the Statement of Net Assets and the Statement of Operations as at 31st March 1990.
3. To discharge the Directors and the Auditor with respect to their performance of duties during the year ended 31st March, 1990.
4. To elect the Directors to serve until the next Annual General Meeting of shareholders.
5. To elect the Auditor to serve until the next Annual General Meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not also be a member of the Corporation.

To attend this Annual General Meeting of shareholders of 6th July, 1990 owners of shares should have their names recorded in the company's register of shareholders two working days prior to the Meeting and owners of bearer shares will have to deposit their shares two clear days before the Meeting with the following bank who is authorized to receive the shares on deposit:

BANQUE GENERALE DU LUXEMBOURG S.A.
14, RUE ALDRINGEN, LUXEMBOURG.

The Board of Directors

To the holders of 9½ per cent. Convertible Unsecured Bonds due 1999 of Anglo Group PLC

ANGLO GROUP PLC

Proposed disposal of Anglo Leasing plc

Anglo Group PLC ("Anglo") has, by notice dated 20th June, 1990, convened an Extraordinary General Meeting to be held at 10.00 a.m. on 6th July, 1990 at which a resolution will be proposed to approve the disposal by Anglo of its interest in Anglo Leasing plc.

Copies of the circular to Anglo shareholders relating to the disposal may be inspected at or obtained from Anglo's registered office, Anglo House, 2 Clerkenwell Green, London EC1R ODH; the principal office of the Trustees of the Convertible Bonds, The Law Debenture Trust Corporation p.l.c., Princes House, 95 Gresham Street, London EC2V 7LY, and the offices of the Paying and Conversion Agents: Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA; Morgan Guaranty Trust Company of New York, Avenue des Arts 35, Brussels B-1040, Belgium; and Kredietbank S.A. Luxembourgeoise, Boulevard Royal, L-2955 Luxembourg.

COMPANY NOTICES

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
Registration No. [illegible]

NOTICE TO HOLDERS OF 40% PREFERENCE SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO. 162

With reference to the notice of declaration of dividend advertised in the Press on 23rd May 1990, the following information is published for holders of share warrants to bearer.

The dividend of one Rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 13.50 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 86.50 cents per share.

The dividend on bearer shares will be paid on or after 7th August 1990 against surrender of coupon No. 162 detached from share warrants to bearer as under:

(a) At the offices of the following continental paying agents:

L'Europeenne de Banque 21 rue Laffitte 75428 Paris	Banque Bruxelles Lambert 24 Avenue Marnix 1050 Brussels	Generale de Banque 3 Montagne du Parc 1000 Brussels
Credit Suisse Paradeplatz 8 8021 Zurich	Union Bank of Switzerland Bahnhofstrasse 45 8021 Zurich	Swiss Bank Corporation 1 Aeschenvorstadt 4002 Basle

Banque Internationale a Luxembourg S.A
Immeuble L'Independance
69 Route d'Esch
2953 Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At Barclays Bank PLC, Stock Exchange Services Department, 54 Lombard Street (19 Gracechurch Street Entrance), London EC3P 3AH. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 31st July 1990, at the United Kingdom currency equivalent of the rand currency value of their dividend on 2nd July 1990, or

(ii) in respect of coupons lodged after 31st July 1990, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Stock Exchange Services Department of Barclays Bank PLC

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payment to any person in the United Kingdom in respect of coupons deposited at the Stock Exchange Services Department of Barclays Bank PLC, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend will be the United Kingdom currency equivalent of 75 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.00
Less: South African non-resident Shareholders' tax at 13.50%	13.50
	86.50
Less: U.K. income tax at 11.50% of the gross amount of the dividend of 100 cents	11.50
	75.00

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries G A Wilkinson

London Office:
40 Holborn Viaduct London EC1P 1AJ

21st June 1990

NOTE
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African no-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 11.5% instead of the basic rate of 25% represents an allowance of credit at the rate of 13.5%.

DeBeers
De Beers Consolidated Mines Limited

FT LAW REPORTS

Bank collects coffee price

ED & F MAN (COFFEE) LTD v *MIYAZAKI SA COMMERCIAL* AGRICOLA AND OTHERS
Queen's Bench Division
(Commercial Court):
Mr Justice Potter:
June 7 1990

A BUYER who is contractually bound to pay the purchase *price for goods* to the seller's collecting bank against presentation of shipping documents only, will not be deemed to have paid against *bills of exchange referred* to in the bank's collection letter if they are never physically presented and if he has no knowledge of any agreement under which he has been named drawee.

MR JUSTICE POTTER so held on a preliminary issue in garnishee proceedings by the plaintiff, ED & F Man (Coffee) Ltd, Bank Mees & Hope NV, second defendant to a claim against Miyazaki SA Commercial Agricola. Banco Bradesco SA intervening.

HIS LORDSHIP said that Man obtained judgment for $270,000 awarded against Miyazaki on August 1 1989 in an arbitration arising out of three contracts of sale repudiated by Miyazaki. Miyazaki was now in receivership in Brazil.

Man sought to enforce the judgment by garnishee proceedings against the bank. The funds sought to be garnished represented the purchase price paid by Man for 2,200 bags of Brazilian coffee sold to it by Miyazaki under contracts made on August 11 1988.

On January 9 1989 Man paid the $297,823 purchase price to the bank. Just before payment Man issued Mareva proceedings. An injunction was granted in aid of execution, freezing the purchase price in the hands of the bank.

Man contended that the fund represented the purchase price *paid against shipping documents* which the bank had forwarded to Man prior to shipment. It said it was held by the bank as collecting bank to the order of Miyazaki and was therefore available to be frozen as part of Miyazaki's assets.

The intervenors, Banco Bradesco, were a Brazilian bank which contended that the fund belonged to them, and was held by the bank to their order.

They alleged there was an assignment of the benefit of the sale contracts by Miyazaki to Bradesco under a pre-financing agreement made in Brazil before the sale contracts were made. Man contended there was no assignment. That issue fell to be decided in accordance with Brazilian law.

Bradesco contended they had a right to the fund under English law, irrespective of the question of assignment. They alleged Man's payment was not simply payment of purchase price against shipping documents, but was made against two bills of exchange drawn by Miyazaki on Man in favour of Bradesco and presented to Man for payment by the bank as Bradesco's collecting agent at the same time as it forwarded the shipping documents.

On the present preliminary issue the question was whether the January 9 payments by Man to the bank, were made to the bank on Bradesco's behalf as a matter of *English law* against the bills of exchange.

The question depended entirely on the character of the payment as between the bank *and Man. The position between* the bank and Bradesco once the fund had been paid over by Man was not a matter for consideration.

The sale contracts were for 1,100 bags of coffee and provided for cash payment "against full set of clean on board shipping documents on first presentation". Bills of lad*ing were signed for the ship* and endorsed by Miyazaki as shipper. It appeared that Bradesco advanced the money to Miyazaki under the pre-financing agreement and then took possession of the bills of lading in protection of their interest.

On December 14 *unknown to* Man, Miyazaki drew two bills of exchange for $148,911 payable at sight to the order of Bradesco "against 1,100 bags of coffee". Man was named as drawee. The drafts were received by Bradesco and *endorsed to the bank for collection*. Bradesco forwarded the drafts and documents to the bank. The instructions were "deliver documents against payment".

So far as English law was concerned, as between the bank and Bradesco, the bank was in possession of the two drafts and shipping documents as Bradesco's collecting agents.

On receipt of the instructions and documents in London, the bank forwarded to Man two standard form collection letters which referred to a "draft amount: $148,911". It stated "we have received the following documents drawn on yourselves for collection". It indicated enclosure of a draft. The documents enclosed were the *shipping documents* only. No draft was included.

Man paid against physical presentation of the shipping documents as specified in the contract *of sale, not* against presentation of the drafts. Those remained remained in the bank's possession.

Mr Popplewell for Man submitted there could be no question of Man's having made the payment in discharge of the drafts.

His said that whatever the *terms of the collection* letters, the drafts were not included and hence were never presented by the bank to Man for acceptance, so that at the time *Man was ignorant* as to their form (never having seen originals or copies), and should not be regarded as accepting liability under them.

He relied on the provisions of the Bills of Exchange Act 1882 that an acceptance must *be written on the bill* and signed by the drawee (see section 17 and section 19(1) and (2), and that physical presentation for payment was obligatory (see section 52(4)).

He submitted that those provisions made it clear there was *no acceptance* and, that being so, there was no room for an argument of "deemed acceptance", bearing in mind that Man was bound by the contract to make payments against the shipping documents presented.

Mr Simon for Bradesco argued that it was not necessary for him to show that Man subjectively intended to accept liability in respect of the drafts, because it must be taken to have done so in the light of its having dealt in the *documents and having made* payments to the bank under and/or in response to the terms of the collection letter.

He relied on *Midland Bank [1962] 1 Lloyd's Rep 359*. There it was made clear that where a bank held documents which it submitted with a collection note to buyers to be held in trust unless and until payment was made, its possessory right to the documents was sufficient to found the existence of a contract between bank and buyer on the terms of the collection note.

He said that Man, by making payment under reference to the collection letters, must be taken to have accepted and/or to be bound by their terms, and that since those terms included reference to the drafts and their having been drawn on Man "for collection", payment must *be construed* as having been made against the drafts.

That submission stretched the authority of *Midland Bank* further than its terms or context warranted. While the decision was to the effect that there was a contract on the terms of the collection note, the contract concerned documents physically delivered, *none of* which was a bill of exchange. No question arose for decision as to the nature or effect of the contract in respect of documents not in fact delivered and or converted.

In the present case, the question was whether by reason of the terms of the collection letters, which plainly anticipated collection against drafts as well as the documents, the court was obliged to hold that Man's payment was *made (or* must be deemed to have been made) on or against or in discharge of drafts which were never presented to Man for acceptance or payment.

Given the fact that the draft had been deliberately withheld by the bank, which was apparently content to accept payment against delivery of shipping documents only; given that Man was only contractually bound to make payment against those shipping documents; given also that Man was *unaware* and was *not* informed that the bank was acting as other than collecting agent for Miyazaki, there seemed no good ground for inferring that Man made payment on or against the drafts.

The question on the preliminary issue was answered in the negative.

For Man: Andrew Popplewell (Ince & Co)
For the bank: Mark Phillips (Norton Rose)
For Bradesco Peregrine Simon (Clare & Co)

Rachel Davies
Barrister

PJA 533F1F

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THE PROPERTY MARKET

Terminal assets with a long-term future

By Nick Bunker

As befits a former finance chief at Hammerson, Mr Nigel Ellis wants outsiders to see just how rich a *store of airport real estate* there is at BAA, the world's leading airport group. The figure, unveiled on Monday by BAA with its annual results, sounded simple enough.

According to Mr Ellis, BAA's finance director since 1988, BAA's airport assets – including Heathrow's four terminals, and the world's largest duty-free shop – are worth a cool £3.96bn. Behind that simple number, though, lie three years of hard work. The most innovative feature of the exercise was an attempt by Drivers *Jonas, BAA's external chartered surveyors*, to place an open market value on its prize possession, its terminals.

A year before BAA's privatisation in the summer of 1987, Debenham Tewson & Chinnocks, the estate agents, had valued the group's freehold property and land, while another firm, WT Partnership, had totted up the gross replacement costs of the airport buildings and runways. Nobody, however, had tried putting a full open-market valuation on *the 5.83m square feet of terminal buildings*, including 611,000 square feet of shops. The best measure of the importance of the task is the scale of BAA's commercial income – £269m last year – the lion's share of it from retailing.

But under the Companies Act, BAA's directors had a duty to keep shareholders informed about how its asset values were changing. "At flotation, the City of London really wanted a figure for underlying asset value," says Mr Ellis.

Another factor was BAA's capital expenditure programme: £248m in 1988-89, rising to £375m last year, with close to another £1bn expected between now and 1996, including hefty sums at Stansted and Heathrow.

With BAA's borrowing needs rising, putting a value on the terminals was a way of giving potential lenders an appreciation of what the company had behind it. So the commitment was made in 1987 to a three-stage valuation: land on air*port fringes in 1988, investment* properties such as hangars and offices in 1989, and lastly the "operational" land in 1990. Hence BAA emphasises that the valuation was prompted by the appearance of Mr Michael Ashcroft's ADT group as a big, and possibly predatory shareholder in the company last year. ADT only popped up publicly on the share register eight months ago, by which time Drivers Jonas was already hard at work.

Not that the valuation of the terminals was straightforward. *Problem one was to determine* whether the exercise made sense, given the fact that nobody (BAA thinks) has ever bought or sold an airport terminal in the UK.

Fortunately, there were precedents in North America where, unlike in Britain, airlines can own their terminals on long leases from cities and public authorities. When times are hard in the industry, sales and leasebacks of buildings are a tempting mechanism for pumping up cash flow. "There is an emerging market for airport facilities," Mr Ellis says.

The most widely publicised case was in August 1989, when Pan Am sold to its own pension funds its lease on the Worldport terminal at New York's JFK airport, as a way of meeting pension liabilities.

BAA also tried testing the market in the UK, by sounding out institutional investors as to whether they would be interested in buying a long lease on a terminal, as an investment akin to a shopping centre. The added attraction would be an income stream from airport terminal retailing geared much more to the world economy than to domestic UK trends.

"We got the impression they would jump at it," Mr Ellis says. He stresses, though, that BAA has no actual intention of *selling anything at all*. "It's very much a could, rather than a would," he says. So in its annual report and accounts BAA will give the valuation in the directors' report, but leave it out of its official balance sheet.

With theory out of the way, the real problems started, of finding a present value for the current and future income BAA can expect. These include rents (mostly made up of a basic rent, plus a percentage of turnover) from fixtures as diverse as check-in desks, office space inside terminals, car-hire kiosks and short-term car parking, the duty-free shops run mostly by Trusthouse Forte and Allders International, and the retail concessions such as Harrods, W.H. Smith, and Burger King.

Here, the comparison with the value of a shopping centre becomes complicated first because the retailing outlets are largely let by BAA on unusually short leases of three, five or seven years, with competitive auctions when they come up for grabs. Not only are the leases short, giving bigger-than-usual potential for rental growth; equally unusual is the close control BAA maintains over its concessionaires. This includes not only price regulations over the duty-free shops, but also service stan*dards in its contracts*.

To an outsider, some of these factors suggest that BAA's retailing space should be priced at a premium to UK retailing space generally. But Drivers Jonas's valuation actually values the nine terminals at Heathrow, Gatwick, Glasgow, Edinburgh and Aberdeen this March on yields ranging from 8.75 per cent up to 11 per cent.

This looks like a surprisingly big discount to market averages. The Hillier Parker/Investors Chronicle May 1990 property market indicators show *average shop yields in the UK* at 7.1 per cent, with yields for prime retail space at 5.25 per cent and average yields in the south-east at 6.4 per cent. There are intriguing variations, too, between the yields *used for Heathrow's four terminals*: 9 per cent for Terminals One and Three, 10 per cent for Terminal Two and 8.75 per cent for the newest, Terminal Four.

But behind the high yields lies the fact that in valuing the properties, Drivers Jonas had to go back to first principles, to assess what rate of return investors would require to compensate them for the special risks of airport investment. "This is a new market," says Mr Rod Jones, the Drivers Jonas partner responsible. "And it's a regulated one. That *means extra risks for investors*."

The big plus factor, which makes airport retailing attractive, is the rock-solid, long-term 5 per cent per annum growth in passenger traffic BAA has seen since the 1960s. But the potential negatives include 1992, with the threat of possible evaporation of duty-free income from passengers with European Community passports. This could also mean extra capital spending for the retailers, BAA points out, if their outlets have to be redesigned for EC and *non-EC customers*.

Another factor is that airport operators are vulnerable to sudden, unforeseen cash outlays – such as the stepped-up security expenditure after Lockerbie. Also – *a rather* more sensitive subject at BAA – there is the prospect of regular five-yearly reviews of airport services and prices by the Monopolies and Mergers Com*mission*.

At Scotland's Prestwick Airport, its outlook uncertain now that it has lost its local monopoly on transatlantic flights, the risk factors pushed up the yield chosen by Drivers Jonas so far that BAA thinks it would be misleading to disclose it. That could change next year, if Prestwick's future has been cleared up – since BAA *intends to keep updating* the terminal values annually

One reason is that by focusing attention on the capital worth of BAA's terminal assets, based on expectations of future income, the valuation encourages managers not to be dominated by the short term. "We tended, before this, to look just at immediate income," says Mr Ellis. "If it made a profit, we'd do it. The valuation process is more long term."

CAPITAL VALUE (% change)	Retail	Office	Industrial	All Property
Year to April '90	-1.4	+7.4	+12.5	+4.1
Quarter to April '90	-1.4	-1.7	-1.2	-1.5
Month of April '90	+0.2	-0.3	-0.3	-0.1

Source: Investment Property Databank

Duty-free now, but will income evaporate after 1992?

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
22	23	24	25	26	27	28

EXHIBITIONS

London

The Royal Academy. The 222nd Summer Exhibition – the oldest established and largest open submission exhibition in the world. Daily until August 19; sponsored by the Dai-Ichi Kangyo Bank.
The Tate Gallery. On Classic Ground – a large exhibition devoted to French, Italian and Spanish art of the first four decades of the century. Until September 2; sponsored by Reed International.
The Tate Gallery. The entire permanent collection has been rehung in a curatorial triumph.
The Royal Academy. Modern Masters from the Gelman Collection – a self-explanatory exhibition of masterpieces of the 20th century from Bonnard and earliest Picasso to Picasso the old man. Until July 15; sponsored by Guinness.

Paris

Centre Georges Pompidou. Andy Warhol. Some 200 works retrace the career of the multi-facetted artist. Beaubourg. Closed Tue,ends Sept 10 (42771233).
Grand Palais. Joseph Wright of Derby. Some 80 paintings and 30 drawings sum up the career of the 18th century portraitist who introduced the *chiaroscuro* into English art. Closed Tue, Wed late closing, ends July 23 (42895410).
Galerie d'Art Saint Honoré. A Flemish 15th century retable. Around a large-sized 15th century Adoration of the Magi painted by an anonymous artist who combined to great effect northern realism with more than a dash of Italian mannerism, Monika Kruch assembled other works of religious inspiration. 267 Rue Saint Honoré (42601503), open Mon-Fri. Ends Sept 15.
Bagatelle Chateau and Trianon. Vienna 1815-1848 – the Biedermeier period. Vienna's museums have lent some 250 pieces of furniture, porcelain, paintings and objets d'art for an exhibition of the style which expressed the Austrian capital's changed mood after the turmoil of Napoleonic wars – the Biedermeier style. Bois de Boulogne. Ends August 15 45012010).
Galerie Odermatt-Cazeau. 19th and 20th Century Masters.A thread of excellence runs through the exhibition, which begins with the impressionists and ends with an abstract Picabia. Ends July 28 (42669258).
Petit Palais. James Ensor 1860-1949. A retrospective of 100 paintings, 130 drawings and etchings brings to mind Ensor's provocative boast of "I am mad, I am stupid, I am nasty". Closed Mon, ends July 22 (42651273).
Musée Carnavalet. Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. Closed Mon. ends July 1 (42722113).
Grand Palais. Pre-Columbian art in Mexico (1500BC – AD1521). Closed Tue, late closing Wed. Ends July 30 (42895410).

Brussels

Musée d'Ixelles. 71 Rue Jean Van Volsem. La Poetique des Peintres Italiens a l'Aube du XXe Siècle. Closed Monday.
Fondation pour L'Architecture, 55 rue de L'Ermitage. Brussels, City of Architecture 1890-1958. Closed Monday.
Hotel Communal de Schaerbeek. Peintres de la Lys: Belgian Expressionist painters. Closed Sunday; ends July 20.

Antwerp

Rembrandt Bugatti and Belgian Animal sculpture (1860-1930) closed Monday ends July 29. Hessenhuis, 53 Falconrui.

Rome

Braccio di Carlo Magno in Piazza San Pietro: Michelangelo and the Sistine Chapel. This exhibition marks the end of a 10-year project by Vatican restorers on the ceiling of the Sistine Chapel on The Last Judgment. The exhibition carefully documents the techniques used and the difficulties encountered by the restorer. Ends July 10.
Palazzo Venezia: Art for Popes and Princes of the 17th and 18th centuries. Over 70 large and exuberant canvases from the country seats of popes, cardinals and the Roman aristocracy in the area stretching south of Rome.

Florence

Palazzo Vecchio. The age of Masaccio: tying in with the reopening of the Brancacci chapel in the Church of the Carmine after a six-year restoration on the cycle of frescoes by Masaccio and Masolino, are 109 works by painters and sculptors who worked in Florence in the golden years between 1401 (the date of Masaccio's birth) and 1440. Ends Sept 30.

Naples

Castel Sant'elmo. In the Shadow of Vesuvius: Naples through theeyes of European artists between 1400 and 1800: fascinating collection of over 300 oils, watercolours, prints and drawings of a city which has proved irresistible to artists and travellers for nearly five centuries. Ends July 21.

Venice

Palazzo Ducale. Titian. This exhibition organised jointly by the Venice local council, the Arts Ministry and the National Gallery in Washington marking the 5th centenary of the painters birth is the largest for over 50 years. Ends Oct 7 and transfers to Washington.

Bologna

Galleria d'arte Moderna. Giorgio Morandi retrospective. Over 200 works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Ends Sept 2.

Mannheim

Städtische Kunsthalle, Moltkestr. 9. Emile Bernard, a painter always in the shadow of Van Gogh and Gauguin is honoured with a retrospective of 170 early paintings. Ends August 5.

Essen

Villa Huegel 15. St Petersburg around 1800. This is the third exhibition to be mounted by the Ruhr Cultural Foundation, set up in 1984 by Berthold Beitz, head of the Alfried Krupp foundation. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibitions details the developments of Russia from a great empire to a European power. Ends Nov 4.

Hamburg

Kunsthalle, Glockengiesserwall. Caspar David Friedrich(1774-1840). To commemorate the 150th anniversary of his death, this exhibition shows 40 sepia, Indian drawings and watercolours of the German romantic artist. Ends July 1.

Darmstadt

Mathildenhöhe. Duke Ernst Ludwig, instituted the Mathildenhöhe's arts centre Künstlerkolonie, one of seven buildings by architect Maria Ulbrich, called Ernst-Ludwig Haus, it was damaged during the war and after a total rerconstruction it opens its doors in its original function as a Jugendstil museum.

Madrid

Museo del Prado. Sanchez Coello (1531-1588). Some 50 paintings by this Spanish artist born in Valencia, predecessor of Velazquez. Ends July 30.
Palacio de Velazquez. Roman Bronze Objects in Spain. Over 500 objects from different Spanish museums. Closed Mondays.
Fundacion Caja de Pensiones. Georg Baselitz. Exhibition of this German artist's 1980's production. Ends July 15.

Barcelona

Fundacion Caja de Pensiones. Edwuard Ruscha retrospective. Closed Mon. Ends July 15.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.
Museum of Modern Art. The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon.
Metropolitan Museum of Art: The Russian Taste for French painting, representing three centuries of French masterpieces from the Hermitage and Pushkin Museums. Ends July 29

Washington

National Gallery. More than 90 prints by Edvard Munch show the Scandinavian artist at his most colourful and prolific. Ends Sept 3.
National Gallery. More than 10 media are included in the major show of 112 of Jasper Johns's drawings over 35 years. Ends July 29.
National Museum of African Art. The national tour of artistic and religious objects, much of it sculpture, encompasses nine centuries of Yoruba civilisation. Ends Aug 26.
National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Frink. Ends July 4.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementos and personal effects of the Great Emancipator.
Art Institute. Before going to the Royal Academy in London later in the year, Chicago gets to see Monet's series paintings. Ends August 12.

Tokyo

Idemitsu Museum. Oriental Ceramics from the Topkapi Palace, Istanbul. Closed Mondays.
Teien Museum. Perfume Bottles by René Lalique. What better venue for this charming exhibition than this former imperial residence whose main doors were designed by Lalique and whose Art Deco interior must surely be rated one of the finest in the world. Closed alternate Wednesdays.
Tobacco and Salt Museum. Edo Period Publishing. Illustrated books from the period when Japan was closed to the outside world. Closed Mondays.
Riccar Museum. Landscape Ukiyoe. Woodblock prints by Hokusai and Hiroshige. **Meguro Art Museum.** Josaku Maeda. Over 100 paintings by a Japanese artist (born in 1926), who studied in Paris and whose works are all based on the Mandala.
Shoto Art Museum, Shibuya. Japonisme. Exhibition of over 150 prints by late 19th century artists such as Whistler, Pissarro, Toulouse-Lautrec and Manet, who were influenced and inspired by Japanese crafts and ukiyo-e woodblock prints.

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs. Jerry Zak's desperately bright production is undemanding fare (734 5951, cc 836 2428).
Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).
Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).
The Wild Duck (Phoenix). Peter Hall's revival of Ibsen's tragicomedy champions the great Norwegian's humorous potential. (071 240 9661).
Absurd Person Singular (Whitehall). Robust revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. (071 867 1119).
Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the sobriety of which belies its pre-production hijinks. Richard Harris gives a star performance as the nobleman who thinks he is an 11th century king (071 867 1116).
Vanilla (Lyric). Heavy-handed satire on New York super-rich and US-backed overseas dictatorships, directed by Harold Pinter, with a cast including Sian Phillips, Joanna Lumley and Gwen Humble. (071 437 3686)

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.
Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel brings alive the 1930s in its squalor as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.
Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer accompanied by the musical and emotional flavour of the period (239 6200).
Gypsy (St James). This 30th anniversary production introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film in an elegant, but somewhat random setting (246 0102).
Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200)
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town, West Side Story* and *Gypsy.*
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Starlight Express. Andrew Lloyd Webber's roller-skating musical slides into Washington on its national tour. Ends July 14. Kennedy Center Opera House (467 6700).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. The 11am matinee consists of a short, relatively modern play and three dance pieces. Earphone guide in English and English language programme. Ends June 27. Kabuki-za (541 3131)
Peer Gynt (in Japanese). Yukio Ninagawa, tackles Ibsen's masterpiece, with a cast headed by two popular young rock singers. Ends June 28. Aoyama Theatre (201 7777)
South Pacific. Emile Belcourt and Gemma Craven lead the cast from the recent London revival of the Rodgers and Hammerstein musical. Kouseinenkin Hall (567 3411).
The Alchemist, by Ben Jonson performed by the Compass Theatre Company, a young British touring company (Wed), and The Merchant of Venice (Tues, Thurs). Tokyo Globe (360 1151).

MUSIC

London

London Concert Orchestra conducted by Fraser Goulding, with Hugh Tinney (piano). Tchaikovsky concert. Barbican Hall (Sat) (071-638 8891).
Vladimir Ashkenazy (piano). Brahms and Schumann. Royal Festival Hall (Sun) (071-928 8800).
Royal Philharmonic Orchestra conducted by André Previn, with Steven Isserlis (cello). Elgar and Brahms. Royal Festival Hall (Tues) (071-928 8800).
Royal Philharmonic Orchestra conducted by Leon Lovett, with soloists and the London Oriana Choir. Beethoven's Missa Solemnis. Barbican Hall (Wed) (071-638 8891).
The Hanover Band and Chorus conducted by Roy Goodman, with soloists. Beethoven concert including the 9th symphony. Royal Festival Hall (Wed) (071-928 8800).
James Galway and the Chieftains. Royal Festival Hall (Thurs) (071-928 8800).

Paris

Maria Tipo, piano recital: Bach, Chopin, Debussy (Mon). Salle Pleyel (45638873).
Orchestre de Paris conducted by Semyon Bychkov: Stravinsky, Mahler(Tue). R. Strauss, Dutilleux, Beethoven (Thur) Chatelet (40282840)
Ensemble Orchestral de Paris conducted by Armin Jordan, Audrey Michael (first soprano), Bernarda Fink (second soprano), Vittoria d'Ile-de-France choir conducted by Michel Piquemal: Mozart-Mass (Thur). Saint-Denis Basilica, Metro Saint-Denis (42433097).

Brussels

I Fiamminghi Ensemble conducted by Rudolf Werthen with Herman Prey (baritone). Mozart. Palais des Beaux-Arts (Sat)
European Community Orchestra and chorus conducted by Jean Jakus with Melanie Armistead (soprano), Jan Caals (tenor) Phillip Langshaw (bass) and Jin OK Kim (contralto). Handel's Messiah (Wed). Notre-Dame du Sablon, Rue du Regent (513 83 20).
BRT Philharmonic Orchestra conducted by Norbert Nozy with Daniel Blumenthal (piano). Chabrier, Devreese, Pizzini, Rimsky-Korsakov and Van der Roost. Maison de la Radio (Thur).

Antwerp

Royal Flanders Opera Chorus, the Antwerp Vlaams Muziekconservatorium chorus and the Aalst Cantate Domino children's chorus conducted by Peter Burian with soloists perform Carl Orff's *Carmina Burana.* De Singel (Thur).

Bad Kissingen

The fifth summer festival in Bad Kissingen (June 22-July 15) made its name with international stars and the wonderful surroundings with thermal waters and glorious concert facilities. The programme is led by three symphonic orchestras, the Czech Philharmonic, Polish National Radio Orchestra and the Bavarian Radio Orchestra. Other highlights include the cellist Natalia Gutmann, pianist Frank Peter Zimmermann, trumpet player Ludwig Guettler, and conductor Bruno Weil. Also a performance of Handel's opera *Rinaldo* by the Halle Opera. 8730 Bad Kissingen Postf. 2260 (0971 807110).

Milan

Carlo Maria Giulini conducting Schumann, Ravel and Stravinsky (Sun). Teatro Alla Scala (809126).

Florence

Gabriela Benackova (soprano) singing Richard Strauss's Vier letzte Lieder with the Maggio Musicale Orchestra conducted by Zubin Mehta (Wed, Thur) Teatro Verdi (212320).

Washington

Mostly Mozart Festival Orchestra conducted by Gerard Schwarz with Jean-Pierre Rampal (flute) and Anne-Marie McDermott (piano). Mozart, Pleyel (Wed); Bach (Thur). Kennedy Center Concert Hall (467 4600).
National Symphony pops concert with Mel Torme, Cleo Laine and John Dankworth. Wolf Trap Festival (703 448 0800).

Madrid

Madrid Ensemble. Beethoven programme with Jaume Francesch (violin) and Mary Ruiz Casaux (piano) (Fri). Auditorio Nacional de Musica (337 01 00). Beethoven programme (Sat, Sun). Centro cultural de la villa (575 29 92)

Chicago

Ravinia Festival: Harry Connick Jr. jazz piano recital (Tue); Herbie Hancock, Pat Metheny, Jack DeJohnette, Dave Holland jazz ensemble (Wed). Highland Park (728 4642).

Tokyo

Philharmonische Virtuosen Berlin. Strauss, Mozart, Respighi, Schoenberg (Mon). Elgar, Britten, Tchaikovsky, Bartok (Tues). Suntory Hall (589 9999)
Handel, Schubert, Strauss, Donizetti. Kathleen Battle (soprano), with Philip Moll (piano). Suntory Hall (Thurs) (589 9999).
Tokyo and Osaka Symphony Orchestras, conducted by Kazuyoshi Akiyama. Schoenberg's Gurrelieder. Soloists include Tatiana Troyanos, Ruth Falcon, Gary Bachlund. Bunkamura, Orchard Hall (Thur) (362 6761).
Schubert programme. Takayoshi Wanami (violin), Mineko Tsuchiya (piano). Tokyo Bunka Kaikan, recital hall (Thur) (289 9999)

ARTS

The Bodhisattva Guanyin: the only surviving earthenware Buddhist figure from the late 9th century

Buddhas and gold from China

Susan Moore visits exhibitions at Eskenazi and Oriental Bronzes

This Bodhisattva Guanyin sits, like many another, on a rock representing Mount Potalaka in the South Seas, one foot resting on a lotus pod. Unlike any other, however, the deity leans slightly back, casually clasps a raised right knee and presents to the world a countenance of supreme superciliousness.

He or she – Guanyin is of ambivalent sexuality – cuts an intriguing as well as an impressive figure. Assured modelling endows the figure with a gracious and convincing fatness. As one arm stretches across the body, the belly obligingly swells up and out like a well ripened plum. Flabby legs are accentuated by the unusually fringed and still coloured dhoti. Best of all is a chin of spectacular proportion, falling to the odd inch of neck in one firm round fold of flesh.

Strangely, the 46.5cm high figure is intended to be viewed in the round, and its complex pose changes as you move around it. More extraordinary still is that it is made from earthenware. No other pottery Buddhist figure of the 9th or 10th century survives. In fact, there is nothing quite like it in Buddhist art.

This beguiling enigma is but one piece among a characteristically choice group of ancient Chinese sculpture on offer at Eskenazi (until July 6). A large proportion of the pieces have come from the distinguished collection of James W. and Marilynn Alsdorf in Chicago, and Eskenazi devotees will recognise one or two from the firm's last sculpture show in 1981.

The earliest work on offer is a limestone Buddha Maitreya of c. 520-525, graceful and slender and smiling, and draped in sharp, almost Romanesque folds. The Buddha is one of a number probably hacked out of the cave temples at Longmen, Luoyang in the early years of the century.

Some 700 years later come the latest pieces, two polychrome and gilt wood Guanyin of the Jin Dynasty. One, a cousin to a sculpture in the V&A, has been relieved of its black coat of incense smoke and presents its compliments in what is thought to be the original polychrome – pale flesh, red robes and green sash. The other has been stripped of paint layers down to the colours applied to spruce it up during the Ming Dynasty. Precious little of its original pigment and gilt seems to survive.

The vast span offers a brief pictorial summary of the evolution of Buddhism in China. A heavily bejewelled stone Guanyin of the North Qi Period, 570-575 (from the Earl Morse collection), is a fascinating transitional piece. The stiff, frontal figure is still hierarchic but here we see the beginnings of a naturalism that was to mature during the Tang Dynasty.

By the 8th century, the Bodhisattva Guanyin had become the most popular Buddhist deity, thanks to the growing appeal of the Pure Land School of Buddhism which offered the promise of Paradise. Interceding deities have become more human and accessible. Technically, thanks to Indian influences, the torsos are in voluptuous contraposto, the draperies rhythmic and free-flowing.

Interesting rather than beautiful is the Late Tang Bodhisattva made out of dried black lacquer, as light as a feather and a rare survival. Another curiosity is the marble pedestal supported at no little effort by six small White Devils, complete with goggle eyes, baggy breeches and boots. Most appealing of all, however, are the supremely elegant (again almost androgynous) wooden tomb figures of Tang court ladies and male attendants. Still partially coloured and gilt, they have fared remarkably well given their 1400 years underground.

★

The Imperial gold artefacts from ancient China on show at Oriental Bronzes (until June 29) are altogether in a lighter vein. Dealer Christian Deydier has gathered together a broad range of precious metalwork, from eminently wearable Song Dynasty hairpins and Liao Dynasty flower or fish earrings to the definitely unwearable rare silver and parcel-gilt crown made for a princess or empress in the 11th century, decorated in gilt repoussé with two flying phoenix chasing a flaming pearl.

Gold was always a rare and highly valued material in China. Indeed when sources from Tibet dried up in the 7th century, the Emperor decreed that the use of pure gold for food vessels would be prohibited to all those of less than first rank (the Imperial family and ministers) and the use of silver restricted to those of sixth rank and above. If any one dared to infringe the law they were punished by death.

Many of the techniques illustrated here – repoussé, filigree, hammering, chasing, granulation – came to China from Persia, after the Sassanian king's son sought refuge at the Imperial court in 674. Many are superb examples of the metalworker's art. Note the stylised rams' heads and *taotie* mask on the pair of Warring States Period gold plaques, and the delicate, paper-thin Song stem bowl cut into the form of an open chrysanthemum. No other example of this type has been recorded, although it exists in porcelain, and the bowl is off to the Musée Guimet in Paris.

I particularly admired the Southern Song Dynasty perfume container: two sheets of pear-shaped open-work gold worked in repoussé and decorated with mandarin ducks and peones. Some might prefer the Eastern Zhou Dynasty (770-256 BC) hair ornament, a parrot bearing a turquoise bead in its beak, the whole no bigger than a fingernail.

Alastair Muir

Josette Simon and James Laurenson

The Night is not Dark

GATE THEATRE

"The turning wheel of the mind" passes through many landscapes, some of them the subject of this new hour-long piece by the group Ralf Ralf. The set is austere, even by the standards of the little theatre club above the Prince Albert pub in Notting Hill Gate. The floor is scatterd with silvery, gritty sand: a bench projects from the wall: opposite it is a windowsill where a pair of hands (their owner unseen) clasp, unfold, rub each other, wait.

A young man enters, suited but collarless, pleasant but scruffy. "Then," he begins, as if in mid-recall. A girl in a long green coat wanders in and out as if looking for something: she makes contact with the girl (for so it is) at the window. They effect some transaction with pebbles. All the while the young man talks obliviously, even when the woman in green sits next to him unobserved and the watcher at the window peels and eats a banana with the deliberation of a Capulet biting a thumb at a Montague.

Hints are dropped: there is mention of a meeting of three roads where the man may meet his father. The layers are peeled away as the groundsheets are lifted from the stage floor – the sands rolled away, the yellow sheet reveals red underneath for the car accident that kills the young man's father at the crossroads. The red disclosed a blue sheet beneath and talk of his mother confirms that this is our old friend Oedipus.

Here Peter Bicknell's writing (no director is credited) and the three performers become positively operatic though they speak rather than sing a trio. They talk simultaneously, each in his or her own rhythm, pausing and restarting to weave a vocal texture. As in all operatic ensembles, there are variations of pace and mood. Perhaps it's over-fanciful to recall the Act III *Figaro* sextet as the man's prosaically humorous and truculent cadenzas jostle through the women's elegiac tones.

Different layers of perception – memory or perhaps just imagination – are superimposed and dissolve until the girls whisk the last floor sheet off with them "on the bus, homeward." The young man begins again: "Then . . ."

The three players have great presence and physical discipline, slightly vitiated when they open their mouths and resolutely everyday accents emerge. However Barnaby Stone, Ali Saire and Rebecca Simpson devotedly make this small thing but their own into an intriguing hour, though the minutes are pretty unforgiving by the end.

Martin Hoyle

Mannekins

THE PLACE

Under the London International Opera Festival umbrella, Mecklenburgh Opera are presenting the British première, in English translation, of Zbigniew Rudzínski's *Manekiny*. A 90-minute-or-so chamber opera, it was first given in Warsaw in 1981 and thereafter in several European cities throughout the decade – this, in a small way, is one of opera's real success stories of recent times.

The performance, delivered with economical address and total commitment by Anne Manson (conductor of the eight-player Mecklenburgh Orchestra), John Abulafia (producer), and an excellent young cast led by the poetically velvet-voiced bass Brian Bannatyne-Scott, does a good deal to put across the work's curious charm.

Rudzínski (b. 1935) drew his libretto from an episode in the autobiography of Bruno Schulz, a Polish-Jewish writer killed during the last war. Jacob (evidently based on Schulz's own father) is the central figure, a Jewish tailor who retreats from harsh reality to a world of fantasy in which his dummies can be brought to life at will and imbued with fairy-tale existence.

A bossy maid Adela, who periodically bursts in to spoil the games, is transformed into Magda Wang, "lady with the whip;" the two seamstresses Polda and Paulina, who speak-sing in arch repetitive chatter, seem to link the worlds of reality and dream. These collide at the climax, when the dummies threaten to seize their independence; in a coda Jacob ponders the mystery (a much-repeated word) of existence.

The strengths of the work are its skilful placing and mingling of levels and styles, in both plot and score, and the extraordinary varieties of magical, toybox dramatic atmosphere, glittering, tranced, or zany-lyrical, conjured up in a small space out of the tiny band. The use of string tremolos is both apt and tongue-in-cheek, and so is the infusion of popular-music pastiche into an idiom bounded at one end by the pre-serial Schoenberg and at the other by Bartok and Shostakovich.

Rudzínski, on this evidence, is a composer of considerable craftsmanlike gifts, including a real feeling for musico-dramatic pace and timing. What I failed to glean is what his work is actually *about*, beyond and beneath its playful facade. Read in translation, the libretto comes across as poetastic waffle; caught from the singers' mouths (and, on Wednesday night, a fair amount of it could not be caught) the words prove unilluminating of the reasons for the "sadness found in these clownlike Golems" and the "spirals of yearning" that urge Jacob on in his fantasy – and the music fails to make up the difference.

On a first encounter *Mannekins* seemed to me, indeed, a not very interesting opera, expertly and intricately tricked out. On the other hand, the opportunities it offers to a small company are so profuse – and here so admirably well seized – that a visit to one of the three remaining performances can be honestly recommended.

Max Loppert

After the Fall

COTTESLOE THEATRE

With *The Crucible* keeping house in the Olivier, the Cottesloe opens an Arthur Miller play which, self-indulgent though it is, unfolds like a journey to the centre of the century.

Written in the early 1960s in response to a request to produce a screenplay for Camus' *The Fall*, it is an intensely personal odyssey of conscience, which takes its semi-autobiographical protagonist, Quentin, back over a life which encompasses the Wall Street crash, the Holocaust and the annihilation of Marilyn Monroe.

Miller's stage directions specified sculpted areas dominated by the blasted stone tower of a German concentration camp – instructions which designer Hayden Griffin has transmuted into a whirling vortex, like the cross-section of a snail shell or a complicated part of the inner ear. The watch tower – melting at the edges into the suggestion of a skull – appears only at climactic moments, a sinister, looming shape at the centre of the vortex.

The shift of emphasis this involves is as significant in its way as the casting, in the part modelled on Monroe, of the black actress Josette Simon. As if in acceptance that the iconography of the age has moved on, director Michael Blakemore gives us a sexy soul singer who reprises the Motown hit "My Guy" for her fans and whose relationship with Quentin, a successful left-wing lawyer, is therefore tinged with racial as well as sexual patronage.

It is not an idle embellishment. South Africa , interestingly, was the first country to pick up the play after its American premiere, as if in recognition of the potency of Miller's theme of individual responsibility for collective outrages. What Miller does not always succeed in establishing is the distinction between the individual and the purely personal – the latter embodied in Quentin's relationships with his various women; the former in his attitudes to such damning and damaging occurences as the murder of millions in the concentration camps and the betrayal of the few to the Un-American Activities Committee.

At the intersection of these issues stands James Laurenson's Quentin, oddly restrained and English in the anguish of a man who is beset by the phantoms of his guilty past. There are moments when Miller's language sings in his mouth; yet he, like the play, is best when he plays with the persona of a little man grappling with the bigger issues: the coward who feels compelled to stand up to the system yet who longs to be a "good American" again.

Too much of the time he is locked in heart-searching about women, from his mother (a flamboyant Trudy Weiss) to his first wife (Shelley Thompson, elegant in her anger) and finally, and most indulgently of all with Josette Simon's slinky, fiery-eyed Maggie, whose descent to suicide is as touchingly sordid as her naivety is splendid.

Of a supporting cast which is atmospherically deployed in the whirls of the set Henry Goodman's Mickey, the man who sold out,and Ray Jewers, as the guy who was sold, stand out in an affecting cameo of comradeship betrayed, which is the nearest the play gets to a true marriage of autobiography with the biography of an age.

Claire Armitstead

Barseg Tumanyan

WIGMORE HALL

When the Wigmore Hall undergoes its major refurbishment, the management might consider raising the roof if they intend to invite Barseg Tumanyan back for more recitals. The young Armenian bass, who scored such a hit at the charity gala in aid of the Armenian Earthquake Fund at Covent Garden in 1989, has a voice and personality that full well shook the fabric of the building from the rafters to the foundations on Wednesday night.

Tumanyan has, in short, a stunning voice. There was no question as to whether a whole evening in the company of a single bass voice would hold the attention. His range is excitingly wide, from a deep bass A to a G flat at the top and in between there is not a muffled or woolly sound to be heard. This was singing charged with electricity, its voltage only occasionally being lowered so that the voice might briefly be muted for a soft phrase or two.

To point out just one other sterling feature, Tumanyan's breath control is mightily impressive. This will obviously stand him in good stead in the opera-house and, to judge both from the good points and the less good ones of this recital, that is where his future career lies. The way he has of summoning his full reserves of power at the beginning of a long paragraph and sweeping forwards with ever more intensity calls out for the operatic roles of Verdi.

To this otherwise splendid feat there is, however, a reverse side in recitals. Most of the songs that the singer included in this wildly diverse programme ended up as public statements, even if they started inwardly. While the aria from Rakhmaninov's *Aleko* was thrilling in its power and intensity, songs by Chaikovsky and Kabalevsky were not necessarily intended for the same treatment, even if the pianist, Grigory Shahverdyan, went along with it.

Nevertheless Tumanyan is a persuasive and forceful entertainer. After a couple of dark, brooding Armenian songs it was little short of outrageous to plunge into the American razzamatazz of Gershwin and Hagman. Nor does he need to sing every item at full throttle, but the high spirits were quite irrepressible. A real performer: even the hoary, old "Song of the Flea" sounded as if he was really enjoying it.

Richard Fairman

Praemium Imperiale Prize winners

The winners of the 1990 Praemium Imperiale Prize, organised annually by the Japan Art Association and considered one of the most prestigious art awards, were announced yesterday. Divided into five categories, the prizes went to Antoni Tapies from Spain for painting; Arnaldo Pomodoro, Italy, for sculpture; James Stirling, Great Britain, for architecture; Leonard Bernstein, US, for music; and Federico Fellini, Italy, for theatre and film.

K.W.

ARTS GUIDE

June 22-28

OPERA AND BALLET

London

Royal Opera, Covent Garden: The first production in London for more than a century of Rossini's *Guillaume Tell* is by John Cox, conducted by Michel Plasson. The triumphant new production by Bill Bryden of Janacek's *Cunning Little Vixen* is conducted by Simon Rattle. Latest round of the company's much-revived *La Boheme* production by John Copley; Antonio Pappano (house debut) conducts. **English National Opera, Coliseum:** no performances until August. **Ballet.** At the Coliseum the Kirov Ballet is glorious in *The Sleeping Beauty* on Friday and Saturday, then brings in the jolly *Le Corsaire* on Monday to Wednesday. At Sadler's Wells, the astonishing Spanish troupe **Cumbre Flamenca** is splendidly on view.

Brussels

Théâtre Royal de la Monnaie. Richard Strauss's *Der Rosenkavalier* performed by the Monnaie opera and orchestra conducted by Emil Tchakarov, sets by Carlo Tommasi, staged by Gilbert Deflo.

Antwerp

Koninklijke Opera. The Royal Flanders opera in Tchaikovsky's *Eugene Onegin* conducted by Rudolf Werthen and staged by Adolf Dresen.

Liège

Théâtre Royal. The Royal Wallonia opera in Puccini's Manon Lescaut, staged by Pierre Fleta.

Berlin

Opera. *Lohengrin*, produced by Götz Friedrich will have its premiere this week conducted by Jesus Lopez Cobos. *La Bohème*, *Tosca*, the ballet *Notre-Dame de Paris* and *Rigoletto*.

Hamburg

Opera. Two ballet performances of John Neumeier's *Ein Sommernachtstraum*.

Frankfurt

Opera. The successful *La Clemenza di Tito* production by the Lievi brothers. Further performances of *Il Barbiere di Siviglia*.

Cologne

Opera. Last performance of Jean-Pierre Ponnelle's wonderful *Die Hochzeit des Figaro* production, expertly conducted by James Conlon.

Bonn

Opera. The lively *Barbier von Sevilla* production. Also *Macbeth*.

Munich

Opera. *Rigoletto*. Also Richard Strauss's *Die Liebe der Danae* and, in repertory: *Die Jungfrau von Orleans*.

Madrid

International Dance Gala. Featuring: Ballet Lirico Nacional, Baden National Ballet, Bolshoi Ballet, Paris Opéra Ballet. (Wed, Thurs, Fri) Centro Culturalde la Villa (578 28 92).

Barcelona

Gran Teatre del Liceu. *Les Contes d'Hoffmann* by Offenbach, conducted by Eugene Kohn. Ends July 5 (318 92 77).

Milan

Teatro Alla Scala. Slightly sinister production of Tchaikovsky's *Queen of Spades* by Russian/American cinema director Andrej Koncialovsky, set in a twilight 18th century, designed by Ezio Frigerio. Also Liliana Cavani's conventional but well received production of Verdi's *La Traviata*, conducted by Riccardo Muti. (80.91.26).

Rome

Piazza del Popolo e Pincio. Open-air baroque festival dedicated to Queen Cristina of Sweden, who made her triumphal entry into Rome in 1655 through the gate at Piazza del Popolo (Thur) (4515521).

Florence

Teatro Della Pergola. Last opera at this year's Maggio Musicale is Jonathan Miller's splendid production of Mozart's *Don Giovanni*, conducted by Zubin Mehta (2479651).
Teatro Romano di Fiesole. Maggiodanza opens on Thursday with three works in honour of the World Cup: a recent work by Soviet choreographer May-Murdmaa, a new version of the Ballets Russes work *Jeux* to Debussy's music by Italian choreographer, Virgilio Sieni, and a revival of a late 19th century ballet *Sport* (2779236).

Turin

Teatro Tenda at Piazza d'Armi. The Teatro Regio ballet company in a reconstruction of Filippo d'Aglie's *Il Gridelino*, Gianfranco Paolusi's *La Giara* and *Grand Pas Romantique* to music by Adoplhe Adam with choreography by Fernando Bujones; and Patrick Dupond's Ballet Français de Nancy with works by Ulysses Dove, Kenneth Macmillan and Béjart (517786).

Naples

Teatro Mercadante. A new production by Giacomo Battiato of Mozart's Cosi Fan Tutte, conducted by violinist Salvatore Accardo, and a concert performance of Monteverdi's Orfeo conducted by Peter Neumann. (761 2857).

New York

American Ballet Theatre. The 50th anniversary season concludes with Sleeping Beauty. Opera House at Lincoln Center (362 6000).

Tokyo

Kiev Ballet: Nutcracker (Mon, Tues); Swan Lake (Thurs). Showa Women's University Hitomi Memorial Hall, near Sangenjaya. (780 5400).
Balinese Dance. Kecak dancers from the village of Teges perform at the Reiganji Temple (Thur) (5237 9988).

SALEROOM

Diamonds sparkle

Christie's re-established London as an excellent place to sell expensive jewels on Wednesday night. It set a new auction record for this market of almost £13m, far exceeding the record £5m it brought in at an equivalent sale a year ago. It has set itself a high target for next summer.

The gathering of the international rich for the London Season, for Ascot, Grosvenor House, and the like, prompted the timing of the sale but Christie's cannot have imagined that it would have such exceptional items to dispose of. The star lot was the so called "Agra" diamond, a 32.24 carat pink diamond (the seventh largest pink diamond known) which was sold to the Siba Corporation of Hong Kong for £4.07m, a record for a pink diamond.

The story is that Babur, the Tiger Emperor who conquered India in the early 16th century, acquired the diamond in exchange for sparing the lives of the family of his defeated rival, the Rajah of Gwalior. It came to Europe in the 19th century and in 1844 the Duke of Brunswick paid £13,670 for it, an enormous sum but then it weighed 41.75 carats. On his death 30 years later it changed hands for just £2,284, and later belonged to the great collector Louis Winans, passing on his death to Wednesday's mysterious seller, who buried it in her English garden during the War.

The Agra easily beat its estimate of £1.5m as did The Golden Drop, a yellow diamond of 18.49 carats, which changed hands for £2.2m, a record for a yellow diamond. The only disappointment was a Burmese ruby, weighing 29.95 carats, an exceptional size for a ruby. It was expected to make £2.2m, but bidding petered out at £1.6m.

The sale was packed with interesting historic jewels. One that did particularly well was a Victorian emerald and diamond brooch, made up around 1880, which sold for £528,000. It was also owned by Winans, whose family money came from building railways in Russia. The quality of the emeralds reflects his magnificent eye. An emerald and diamond necklace, created for an English aristocratic family around 1810, made £396,000. It is believed to be composed of stones from the French Crown jewels, which were sold off at the Revolution.

Most of the major lots were bought by the dealer Graff, who will keep them for stock.

Antony Thorncroft

FINANCIAL TIMES

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Friday June 22 1990

Too little, too late on EMU

EVER SINCE the Madrid Summit of June 1989, the UK Treasury has been searching for the philosopher's stone: a proposal that would turn Mrs Thatcher's opposition to Mr Delors' vision of European economic and monetary union into an acceptable alternative to it. The proposals from the Chancellor of the Exchequer represent another failure, but not an irredeemable one.

The Treasury's first alternative, "the evolutionary approach to EMU," of November 1989, was based on the idea of competing currencies. The second version is competing currencies with frills, the main frill being a parallel currency, the "hard Ecu." The proposal is too little and has come too late. If it had been advanced a year or more ago, the story might have been different, though even this is uncertain. The notion of a parallel currency "called the ECU" was, after all, explicitly rejected in the Delors Report on EMU.

Obtaining the desired response will not be made any easier by internal contradictions in Mr Major's remarks. He argues both that the lack of accountability of the proposed Eurofed is "unacceptable" and that the proposed single monetary authority will not deliver the inflation performance that "the Community will need in future." Yet it cannot have escaped the attention of the denizens of Great George Street that accountable central banks, if by that is meant anything like the present Bank of England, have a dismal record of inflation control.

Sensible suggestion

The fundamental objection to this proposal is that purely market-led penetration by new currencies does, in normal circumstances, occur at a glacial pace. The hard Ecu, a new currency that is unlikely to be any better than the D-Mark, would probably remain marginal for decades. Furthermore, the latest British proposals are a variation on the current exchange rate mechanism, of which the UK is still not a member. Thus, neither in their substance nor their origin are they likely to attract much of a welcome elsewhere in the EC.

This would be a pity, because a version of these proposals could prove useful in the transition to EMU and deserves serious discussion at the forthcoming EC summit in Dublin. Mr Karl Otto Pöhl, President of the Bundesbank, has recently recommended a two-tier movement to EMU. The suggestion is economically sensible, since the capacity of, say, Greece and Portugal (not to mention the UK) to enter full EMU in the near future is vastly less than that of Germany, France and the Benelux.

New currency

So let a treaty be agreed at the inter-governmental conference starting this December, that would establish the EC's new central bank, the Eurofed, but stipulate that its members would be countries prepared to proceed at once to stage three of the Delors plan for EMU. These countries could then move to adopt a new currency which would automatically become Mr Major's hard Ecu. To distinguish it from the current Ecu, perhaps the new currency should be called the francfort. Other members of the EC could link their currencies to the francfort via the ERM. When they feel able to join EMU, they would exchange their currencies for the francfort and take their place in the Eurofed.

The virtues of this approach are several. First, a hard currency that is also the currency of the inner five would have huge and immediate attractions to the market. Second, only countries using the francfort would decide its monetary policy. Third, each member country could choose what it wants: to be in EMU or not and, correspondingly, have more or less influence on the EC's monetary policy. Last, but not least, the path to EMU would, indeed, be evolutionary.

The British Government would lose its capacity to slow the progress of those who do not, like Mrs Thatcher, see the single currency as something for the next generation. The UK might, instead, decide to be part of the first and not the second tier. Unfortunately, it would also have to show far more seriousness about the control of inflation than its allegedly accountable institutions have ever done in the past.

The risks to press freedom

"A NEWSPAPER is a private enterprise, owing nothing whatever to the public. It is therefore affected with no public interest. It is emphatically the property of the owner, who is selling a manufactured product at his own risk." This classic statement of the free-market view of newspapers, made by W.P. Hamilton of the Wall Street Journal, is worth recalling, not because it is a complete description of the role of the press, but because it underlines one important aspect of the industry. Nobody is compelled to buy newspapers, or any particular newspaper. It is a competitive market.

A different view is that there is a public right to the free dissemination of information and newspapers exercise that right on behalf of the public; though privately owned, they have public responsibilities. It is the Government's job to safeguard the freedom of the press; newspapers must exercise that freedom responsibly.

This second view is reflected, for example, in the existence of a self-regulatory body for British newspapers, the Press Council, and in rules on newspaper mergers; excessive concentration is seen as a potential threat to press freedom.

Up to now governments have left it to the newspapers to decide how to balance their freedom with their public responsibilities. Newspapers are free to go about their business as long as they stay within the law. Governments have rightly eschewed statutory intervention, on the grounds that damage to press freedom would far outweigh any gain in more responsible behaviour.

The great danger with the Calcutt Committee's report on privacy, published yesterday, is that it appears to open the way for statutory control.

Curb abuses

The committee was asked to consider what measures might be needed to curb abuses by the press, particularly in the area of privacy. In its response it has sought to uphold the principle of free speech and expression, but to deal with specific abuses. Thus it rejects proposals for a statutory right of reply and for a tort of infringement of privacy, but suggests that certain forms of intrusion should be made criminal offences.

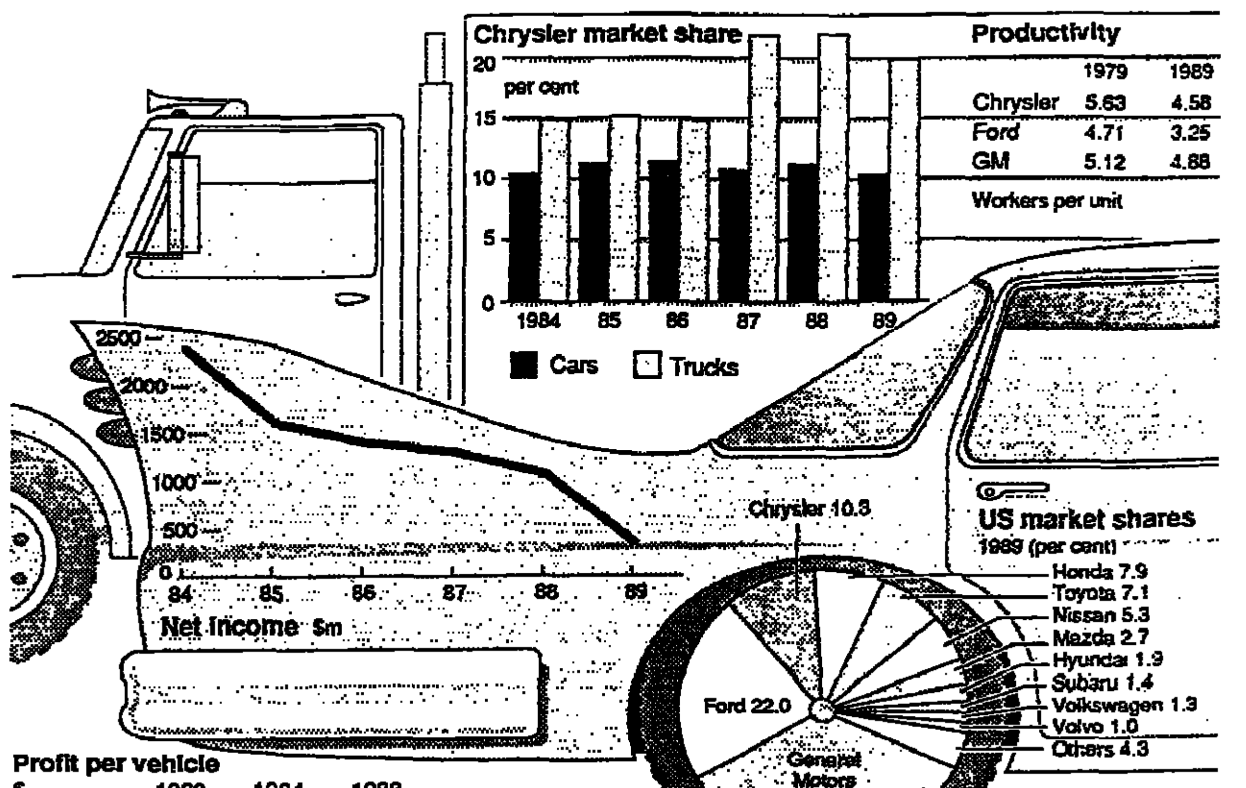
On self-regulation Calcutt recommends the replacement of the Press Council by a tougher Press Complaints Commission which would have stronger powers to deal with complaints and would implement a comprehensive code of practice. This body would have different procedures and composition from the Press Council; it would, for example, abolish the waiver by complainants of their legal rights, a change which might make newspapers reluctant to co-operate in the commission's inquiries.

Last chance

The report declares that the press should be given one last chance to make voluntary self-regulation work; it then points a gun at the industry's head by prescribing how and in what form, following a failure of self-regulation, a statutory system would be introduced. If maverick publications persistently decline to respect the commission's authority, the commission itself would be placed on a statutory basis, with limited additional powers. If, more seriously, the press as a whole fails to establish the proposed commission within a year, or if "a serious breakdown of the whole system of self-regulation rendered the commission ineffective", it would be replaced by a statutory tribunal. This body, which would have judicial status, would have the power to require publication of apologies, to award compensation and to restrain, through injunctions, publication of material in breach of the code of practice.

By making the transition to statutory control so easy (and even likely, given the difficulty a disunited newspaper industry will have in agreeing to the terms of the new commission), Calcutt may have done a disservice to press freedom. Controls on the press may be politically popular, but that does not make them in the public interest. Before setting out on the path mapped out by Calcutt, ministers, parliament and the industry need to consider how much damage might be done to one of the essential institutions of a free society.

Lee Iacocca faces his toughest test with the American motor manufacturer in 10 years, writes Martin Dickson



Profit per vehicle

$	1980	1984	1988
Chrysler	−1391	674	228
Ford	−938	623	591
GM	−58	588	47

Chrysler hits a bump in the road

Even living legends can get tarnished.

For the past decade Mr Lee Iacocca has personified not only Chrysler, the US car manufacturer which he heads, but the businessman as American folk hero: the son of humble Italian immigrants whose marketing genius rocketed him through the ranks of the car industry until he rescued one of country's biggest companies from the brink of bankruptcy.

But now Mr Iacocca faces his toughest test since the company's fortunes reached an all time low 10 years ago: its market share has been slipping, its profits are slim, a leading credit-rating agency has downgraded its debt, and in recent weeks it has been hit by the departure of several top executives, including Mr Gerald Greenwald, the heir apparent to the 65-year-old chairman.

At the very least the company faces a ferocious battle over the next few years to hold its own in the US car market. "It's going to be a very hard fight for them," says Mr Mike Flynn, of the University of Michigan's Transportation Research Institute. "Every one of their market segments is under heavy attack."

Some industry observers question whether over the long term Chrysler can survive as an independent company, and many believe that at the very least it will have to join forces – either through a joint venture or share swap – with another big producer. Fiat of Italy is deemed the strongest candidate. The US company refuses to comment on industry suggestions that intense talks are under way with the Italian manufacturer, though as Mr Steve Miller, Chrysler's top financial officer, observes, it is "quite possible in future we will do something with them."

All this negative publicity draws a rare flash of irritation from the coolly composed Mr Robert Lutz, president of the group's motor manufacturing operations, who slaps the arm-rest of his chair and declares: "The perception of Chrysler is far worse than the reality. That is our biggest problem."

Certainly, the company's position today does not bear much relationship to the 1979 bankruptcy crisis when it headed into the worse recession for decades with antiquated plants, extremely old product lines and virtually no cash in the kitty.

Moreover, some of Chrysler's current difficulties are common to the other two big US motor manufacturers – General Motors and Ford. All three are fighting to maintain market share at a time when the US industry is suffering from severe overcapacity, due to the slow growth of the domestic economy and expansion of local manufacturing by Japanese companies, which keep increasing their slice of the cake.

All companies – the Japanese included – have been slashing prices but Chrysler is suffering the most. The reasons partly date back to the bankruptcy crisis, when it was forced to sell its European operations to Peugot of France.

Ford and General Motors not only have greater size to weather the current US buffeting, but crucially, they also have the cushion of large and extremely profitable European operations.

But the problems also stem from a series of questionable strategic moves in the mid-1980s when Mr Iacocca – by then a media star and fund-raiser for the Statue of Liberty restoration – is alleged to have let his grip relax.

Chrysler bought the ailing American Motors (AMC) from Renault, which brought with it the profitable Jeep business but also integration headaches and a big increase in the group's unfunded pension liabilities. It bought Gulfstream Aerospace in a diversification move which was reversed this year, when the business was sold back to its management. And, in a move which is now costing it market share, the company decided not to invest in an additional chassis for a new generation of vehicles.

From a product viewpoint, Chrysler's recovery in the early 1980s was due to two main factors. One was the K-car, a small, fuel-efficient vehicle with a versatile chassis which the cash-starved company was able to extend into a whole range of vehicles with a wide variety of body designs.

The other was its invention of the successful and now much imitated mini-van, a family vehicle with the size of a van but the handling characteristics and interior of a car.

The acquisition of Jeep gave it a powerful position in another rapidly developing area of the truck market, the so-called "sports utility" segment, with four-wheel-drive vehicles appealing both to genuine country dwellers and suburban fantasists with an eye for fashion.

Chrysler now dominates the US mini-van market and is the leading player in some of the most popular four-wheel-drive segments, but competitors are muscling in to these areas of relatively high profits, and this seems bound to put its margins and market share (currently just under 20 per cent) under threat.

Chrysler's big slide in market share has been in cars: in the first five months of this year it accounted for 8.9 per cent of US sales, down from 10.7 per cent in the same period of 1989, with Toyota knocking it out of the number three position it has traditionally held, and Honda not far behind.

The drop stems partly from Chrysler's withdrawal from the market of an old compact car, the Omni/Horizon, and partly to a scaling back of unprofitable car rental fleet business. But the motor industry says the company's model range, based on the old K chassis, is simply not exciting enough, particularly at the top end of the market, when set against its rivals' offerings. And that is not likely to change much before the end of 1992, when it starts bringing out a range of cars based on a new chassis, the LH.

"They will have very troubled times

Chrysler's big slide in market share has been in cars: in the first five months of this year it accounted for 8.9 per cent of US sales, down from 10.7 per cent in the same period of 1989

for the next two years, waiting for the new products to come out – and then they had better be successful," says Mr James Harbour, an independent motor industry consultant in Detroit.

Mr Lutz, who heads the LH programme, takes issue with critics of the current model range, saying that the basic components of the cars have been so improved over the years that it is a "fiction" that all Chrysler's models are K-based. But fiction or not, that is the widespread perception, and perceptions sell cars.

The company does have some new sporty vehicles in the pipeline, which Mr Lutz says are designed to counteract the impression that Chrysler is not good at high-performance vehicles and "doesn't know where the market is at." They include the Viper, a stylish two-seater and a pet project of Mr Lutz, who has used it to experiment with new methods of product development over faster time-scales.

Mr Iacocca, for his part, has launched an aggressive marketing campaign – complete with a national roadshow and a series of television advertisements – designed to press home the message that Chrysler cars are just as good as, or better than, Japanese ones.

The American public is going to take an awful lot of convincing about that. All the US manufacturers have greatly narrowed the quality and productivity gap with their Japanese rivals over the past few years, while the Japanese have lost their price edge. But public perceptions change very slowly and many Americans still believe that Japanese vehicles are more reliable and hold their residual value better than the output of the Big Three.

In any event, it would take a very large change in the market to make a substantial impact on Chrysler's profits record, which has been unimpressive since the mid-1980s: net income has fallen every year, from $2.4bn in 1984 to $359m last year (after a $831m restructuring charge) on sales of $34.9bn.

Net income was a mere $71m in the first quarter of this year, and while the second quarter is expected to be modestly good, Chrysler has warned that shut-downs of its mini-van plants for product changes will mean a tough third period. Wall Street analysts suspect income for the year will be even lower than last – and that is without a further general deterioration in the automobile market.

Yet this comes at a time when Chrysler faces a $15bn five-year new product development programme and has to service some $18bn in long-term debt and unfunded pension fund liabilities – a background which has just prompted Standard & Poor's, the credit rating agency, to downgrade the company's debt, together with that of Ford.

This too has irritated Chrysler. Mr Miller points out that the company currently has about $4.5bn in cash – one of its highest liquidity levels ever – and he insists it plans no additional external debt or equity financing for the five-year product programme, which can be funded out of cash flow.

One reason, says Chrysler, is that the company is making good progress with a programme to cut $1.5bn of costs from the system. Some is coming from plant closures, some from reductions in white collar staff and closer monitoring of healthcare claims.

Equipment suppliers' costs are under pressure too, though Mr Lutz insists this is being done in co-operation with the manufacturers, who are being given much more responsibility for engineering their products.

But while all this is helpful, Chrysler's dependence on the US severely limits its profitability. Mr Lutz says it makes more per unit on the 50,000 cars it exports to Europe than it does from identical models in the US. It is anxious to expand in Europe and, lacking the muscle to do so alone, has numerous piecemeal co-operative efforts in train. But, on the right terms, it could clearly benefit from a more sweeping relationship with a foreign partner.

The company already has a close relationship with Mitsubishi, including a joint manufacturing operation in the US, but Chrysler sold half its 21.8 per cent stake in the Japanese company last autumn and rumours persist that relations are cooler than they once were, denials from Chrysler notwithstanding. It also surprised the industry recently by scrapping the joint venture to produce a new mini-sports utility with Renault.

It is believed the most likely potential partner is Fiat, which has no US dealer network of its own and is using Chrysler as the American distributor of one of its upmarket Alfa Romeos. Chrysler, for its part, could gain European exposure, help with new product developments and access to Fiat's small, successful Tipo model to fill the big gap it now has at this end of the market.

Against this background, the sudden departure of Mr Greenwald, the heir apparent, to join an employee buy-out team at United Airlines, will have knocked company morale, especially when set alongside the departure of three other leading executives for apparently unrelated reasons.

Mr Iacocca was quick to say that he would be staying on for an indefinite period beyond the end of his contract in December 1991 to "see the (sales) battle through" and put an orderly succession plan in place. The front runners to replace him are Mr Lutz and Mr Miller, who have both taken on parts of the Greenwald portfolio. Most observers favour the product man over the financier.

That assumes Mr Iacocca is prepared to retire in the foreseeable future. But if he wants to go out on a high note he might have quite some time left to serve – unless, with a neat turn of the historical wheel, he can fashion an Italian alliance that leaves the Iacocca legend more or less intact.

OBSERVER

A touch of Angst

■ Readers of the New Yorker, which still carries some of the best writing in American journalism, may have been struck by the newly-serious tone in the The Talk of the Town section.

In recent months the lead item in the Notes and Comment column has tackled President Bush's first speech on AIDS, Oliver North's Iran-Contra diaries, the invasion of Panama and Soviet casualties in the Second World War. All weighty, worthy subjects, but not the sort of material one associates with a magazine whose elegance, wit and charm was best captured by James Thurber.

Is something up? Adam Gopnik, a staff writer on the New Yorker and one of several contributors to Talk of the Town, is at a loss to explain. Surely, he says, readers must remember Jonathan Schell's searing attacks on the Vietnam War which appeared in Talk of the Town 25 years ago? By Gopnik's account, Talk of the Town was only light-hearted in its first 15 years, until the Second World War broke out. "We've been serious since 1940, and intensely serious for a quarter of a century," he says.

Another point, he adds, is that casual readers may be merging Notes and Comment with the rest of the Talk of the Town column. In fact, the two are quite separate. There are two small black dots – known at the New Yorker as the Berlin Wall – which signal the switch.

It sounds plausible enough. But there is a still a feeling among the cognoscenti that Talk of the Town's style and tone have become, well, just that little bit severe, perhaps even pompous.

Try this recent introduction, for example: "Not since before the Second World War has the United States been as peripheral on the world stage as it is now. A major drama is taking place in the Soviet Union and we are not involved in it." The American east coast élite is getting Angst again.

Cost of Rock

■ Lord Cobbold, the owner of Knebworth Park in Hertfordshire where an open-air charity rock concert will attract 120,000 people next week, has been charting the changed public attitude to such events.

He says that they were considered a "bit way out" in the early 1970s, but insists that they are now sedate affairs, complete with corporate hospitality tents just like Wimbledon. The licence which Cobbold had to obtain to stage the event runs to six pages and 60 conditions; the bill for police supervision amounts to £64,000.

Chinese style

■ Zhou Nan, Peking's de facto ambassador in Hong Kong, is acqurimg a growing reputation for literary erudition. Having devastated British guests at a recent private dinner by out-quoting them on Chaucer, he deftly handled a suggestion at a chamber of commerce lunch that China's Peoples' Liberation Army should be renamed the Chinese Military Army in Hong Kong when it is stationed in the territory after 1997.

"What's in a name?" he said. "That which we call a rose, by any other name would smell as sweet." (Romeo and Juliet, Act II, Scene 1.) For one of the first times since he arrived in Hong Kong four months ago, his words were met by laughter and applause.

Best of Japan

■ Takeshi Ohta often describes his job as that of bag carrier, translator and international telephonist.

"Ecus or sterling?"

As deputy governor of the Bank of Japan with responsibility for international relations for the past four years, Ohta has had one of the more challenging roles in central banking. Squeezed between foreigners demanding more liberalisation from Japan and protectionists at home digging in their heels, he has made and kept friends on both sides.

Coming from the school of Japanese bankers whose foreign experience has been mainly in the UK where we knew him well – he has had two postings in London during his 38 year BoJ career – he is as comfortable in the clubby atmosphere of central bankers' monthly meetings in Basle as in the more taut gatherings of top Japanese financial officials.

Ohta has always had time to explain the intricacies of Japanese economic policy to visitors high and low to Tokyo. In the high season, which, he says, now means all year round except summer and year-end holiday periods, he averages three foreign visitors a day. Ohta retires at the end of this month, but hopes to find something that will keep him involved in international affairs.

He also looks forward to more time to read and go to concerts. "When I am depressed, I listen to Beethoven. When I am happy, I prefer Mozart or Bruckner."

The new bag carrier is Mikio Wakatsuki of the American school: a former Fulbright scholar, Japanese alternate director at the International Monetary Fund and BoJ chief representative in New York.

Mining tips

■ After 15 years in the City, much of it as head of the mining team at Kleinwort Benson Securities, Mark Wellesley-Wood is giving up his Kleinwort directorship and moving to the Geevor mining group as managing director.

In his valedictory letter to clients, he reminds them of "the Wood theory of mining investment" which contains such gems as "never buy shares in a company whose chairman has either monogrammed cuffs, a large dress ring or a gold Rolex. The last two are likely to contain more gold than the company's ore reserves."

There is also the advice: "Buy when everyone else says sell and sell when the relevant commodity is featured on the front page of the Financial Times."

And a mining company's annual report must contain at least three photographs of the chairman in bush shirt. "Preferably he should be surrounded by a gaggle of geologists. These can be rented from a university for the day as they are of no practical use to the company for the rest of the year."

Tiddler

■ A press conference in Brussels this week on Saving the North Sea Herring was organised by . . . Robert Carp.

POLITICS TODAY

Limits to the power of the purse

By Joe Rogaly

One of my most dog-eared books is the American classic The Joy of Cooking, after which the unreadable The Joy of Sex must have been named. This week we have a book* entitled, simply, Capitalism. It should have been The Joy of Capitalism.

The author, Mr Arthur Seldon, cheerfully concedes that his ideal economy has defects, but, he argues, it beats any alternative route to a happy and long life for most people. He compares capitalism's achievements with the desolation, hunger and imprisonment, or worse, that is suffered under socialism. You might say that you eat better, and have more time for high jinks, in the West than in the dreary, authoritarian, old East. Better yet, the more capitalist the western country in which you live the more plenteous will be your joys.

We should follow such reasoning, should we not? Yes and no. Mr Seldon was the backroom academic of the Institute of Economic Affairs between 1956 and 1988; the front man was Ralph Harris, now The Lord Harris of High Cross. The IEA had an unpromising beginning. It was surrounded in its early years by what seemed the self-evident truths of the mixed economy and the corporate state. It was regarded as a house of eccentric cranks. Partly as a result of its patient proselytizing it is seen today as having been one of the most potent think-tanks of the postwar era.

There are IEA equivalents in many other countries. The mainly Austrian economists and the many lesser-known writers who have underpinned its philosophy and contributed to its publications have done as much to shape the last two decades of the 20th century as Karl Marx did for the first eight. Socialism, the IEA's formerly powerful single enemy, is on the retreat. Mr Seldon is still chasing after it, relishing every opportunity to give it another kick up the backside.

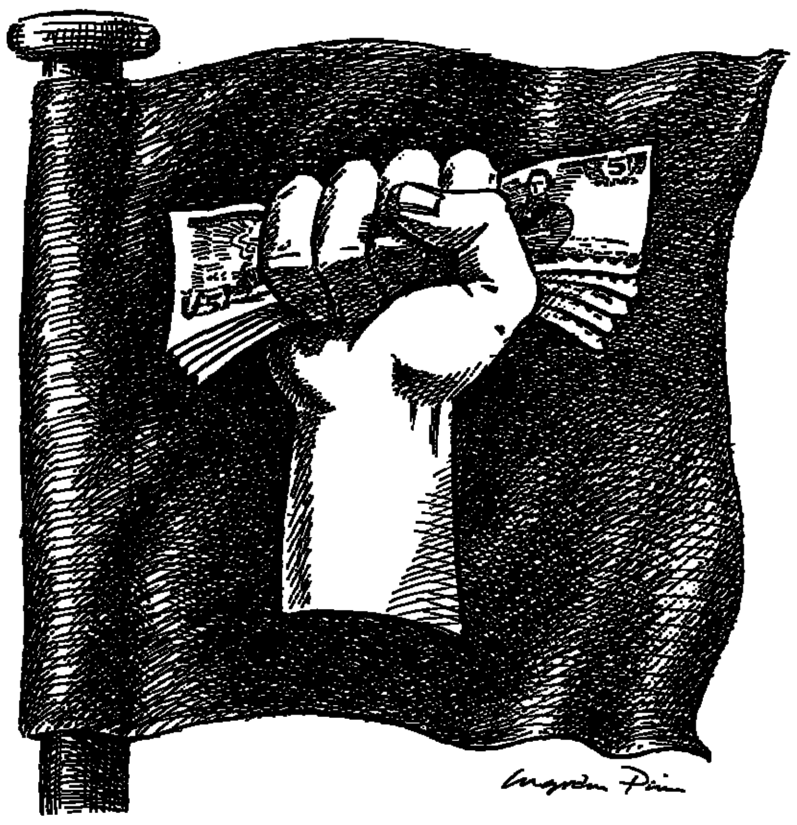
A true inquisitor finds vestiges of the devil everywhere: Mr Seldon still sees socialism all around him. This is inevitable, given his definition of the term. What he really means is government, any government, central, local, democratically elected or not. All government is socialism; even the British Conservatives under Mrs Margaret Thatcher are tainted, although less than their predecessors. "I define capitalism as the system that makes as little use of the political process (which creates socialism) as necessary and as much use of the market as possible," he writes. "Conversely socialism makes as much use of the political process as it can without arousing public revolt and as little use of the market as is required to maintain tolerable productivity and minimise politically dangerous privation."

The essence of Mr Seldon's case is that the price mechanism is more powerful than the vote, which is exercised at infrequent intervals. Under the political process, bureaucrats rule. Educated, middle-class people can manipulate bureaucracies to their own advantage; others are less well-equipped. Notes and coin, on the other hand, give equality of power to whoever holds them. The exercise of choice in the market place is open to all, regardless of class or colour. It depends on price. The Prime Minister would doubtless agree.

So, in his way, might Mr Neil Kinnock. The leader of the Labour Party is at least trying his best not to be seen to disagree. He was pushing the letter of the Seldon formula on television on Monday night. "Business where appropriate: government where necessary," said this self-styled socialist, quoting his own latest policy document. This is not as Seldonesque as the celebrated slogan of the German social democrats, *soviel Markt wie möglich, soviel Staat wie notwendig* – as much market as possible, as much government as necessary – but coming from the British Labour Party it is pretty stunning.

The question is, does Labour mean it? Here you get to the essence of contemporary political debate, which is where to draw the line between "appropriate" (or "possible") and "necessary." My preference would be to privatise coal, British Rail and any other vestige of the years of nationalisation, and then wind up the departments of transport, energy and industry, whose regulatory responsibilities could be strengthened but transferred elsewhere. You could also de-nationalise the Bank of England, *just for luck*. We may see some of this, although probably not the last bit, in the next Tory manifesto. The Bank will be liberated when Britain marches into the Eurofed, following a period of traditional humming and hawing by its government ministers at European Community meetings. (The Chancellor of the Exchequer, Mr John Major, has produced a nice little initial hum and haw with Wednesday night's scheme to build on European Currency Units and leave the pound alone.)

The Labour Party wants to "foster a climate which encourages long-term investment," but is unconvincing about how this is to be done. The party's eloquent industrial spokesman, Mr Gordon Brown, is, however, looking to government-industry partnerships in pursuit of better training, promotion of research and development, and a development agency-style regional policy. He regards all this as alleviating market failures. The IEA may demur, but Labour's current recipes are a long way from 1960s-style



"industrial policy," with its subsidies, picking winners, and so on. Listen to Mr Brown and you feel he could be a minister in a Swiss cabinet.

The social services are another story. Mr Seldon would like Thatcherism squared; Labour is in the opposite mood. Take pensions and housing. The Conservatives under Mrs Thatcher have tried to privatise pensions, hesitated, and tried again, using taxpayers' money to bribe people to take out personal pensions. Labour would reverse this process; we must conclude that taxpayers' money would be splurged at paying-out time. The Conservatives have led the way to freedom from local housing officers with their right-to-buy schemes, but they have failed to develop cheap rented housing, either through subsidies or a wholehearted liberalisation of the private sector.

The Tory manifesto will probably contain a further plan to transfer houses and apartments from the municipal rent archipelagos to private ownership. This would work along the lines now being tried in Scotland, of converting rent into mortgage payments. Labour knows it would be folly to oppose such a scheme. It also shows some understanding that housing associations are preferable to local councils as a mechanism for subsidised rentals, if rents rather than individuals must be subsidised.

Even the Prime Minister has shrunk from privatising education and health care, although she has attempted to inject market discipline into both of them. This is where the Whig anarchist vision comes into conflict with political reality. Opted-out, self-governing schools and hospitals are not popular and for that reason may not be workable. As the election has come closer the Government has gone quiet about both ideas. It is of little consequence. Neither constitutes a true offshoot of capitalism. Both provide ersatz competition.

People who make such observations, and also reject privatisation, must answer Mr Seldon's charge, which is that most people in Britain are trapped inside health and education systems whose bureaucrats make bad decisions for them. Go to an NHS clinic or a state school and you will see what he means. I would propose experiments with education vouchers, giving every parent equal purchasing power; and, possibly, theoretical work on a universal medical insurance plan, giving every patient the power of the purse. It would be a surprise to see either proposal put forward during the next election campaign.

We are left with what Mr Seldon calls "unavoidably collective functions," in preference to "public goods." Pure IEA theology would no doubt restrict these to defence, state security, possibly although not certainly the issuance of notes, and perhaps the maintenance of traffic lights.

Even with additions of other minimalist items, such a list is absurdly short. It is open to question whether capitalism would survive without a mechanism for redistributing some income and wealth, which the author allows for while showing a distinct preference for the "deserving poor." The market does not seek out the elderly, the lame, and the inadequate: there is no option but to accept the bureaucracy that goes with giving them the money. The appalling cruelties of the constricted US system of welfare speak for themselves. Anyhow, if you do not make some transfers the theory based on the power of the purse collapses.

It is also not yet clear how much bureaucracy will be needed to administer policies for protecting the environment. This is true whether you use taxes, charges, tradable permits, or regulatory agencies. Everyone is at a loss. The white paper being prepared by the Conservative Secretary of State for the Environment, Mr Chris Patten, is now in typescript, at about 300 mostly-agreed pages long. Its short first chapter is, however, heading for its 12th draft. It sets out mostly-disputed first principles and definitions. What is the "precautionary principle?" What is "sound science?" What is "sustainable development?"

The market cannot answer such questions; elected representatives must try. There are many market failures, of many different kinds. In western Europe the generally accepted list of necessary functions of government, central and local, is quite long. That is why we need a think-tank that concentrates on making the political process less unsatisfactory. Perhaps the Institute for Public Policy Research will fill the gap. But they should be warned: a heavy volume entitled The Joys of Social Democracy would seem, on the face of it, to lack sparkle.

**Capitalism. By Arthur Seldon. Basil Blackwell. 419 pages, £19.95*

LOMBARD

How to reform eastern Europe

by Michael Prowse

The ultimate objective of economic reform in eastern Europe is not in doubt: just about everybody wants to create prosperous western-style market economies. The perplexing question is how to get there from here. At present, highly-qualified western economic advisers are blundering around like blindfolded men in heavy traffic. Some have experience of development in the Third World but none know how to bring about a smooth transition to capitalism in a mature centrally-planned economy – for the simple reason that this has never before been attempted.

One obvious point, which is rarely mentioned, is that the rules which guide the efficient operation of market economies are not necessarily useful in bringing about a transition from a quite different economic regime. The old saw that economists too often *assume* their problems away is particularly relevant in this context. Some of the more ambitious reform proposals appear to presume that price mechanisms, profit-maximising instincts, financial expertise and so forth *already* exist and are simply waiting to be liberated. This is almost certainly not the case.

If western economists want to offer useful advice, they *should start by reviewing our* experience with centrally-planned monoliths. The most enlightening example is Britain's National Health Service, which is still the largest civilian employer west of the Urals. The parallels with eastern Europe are striking. In the NHS: the means of production are state-owned; decisions *about what to produce, how to* allocate inputs, and what to pay people are made centrally; there is little information about costs and no attempt to use prices to clear markets; the customer has little influence on output decisions; employees have egalitarian instincts, live in a risk-free environment and tend to be contemptuous of the world of commerce.

How did the UK Government approach NHS reform? If it had taken the line popular with some eastern bloc reformers, it would have kicked off with enormous rises in prescription charges and big cuts in the real wages of NHS staff. This would have been followed by the decontrol of all prices – in other words charges for operations and hospital stays. By now ministers would be arguing that most of the service *should be rapidly* privatised and doctors turned into capitalists. Without capitalists, the argument would run, the NHS could not respond properly to market forces.

Such an approach would clearly have been disastrous. It would have alienated consumers, threatened medical hyperinflation and led to massive unemployment of doctors and nurses. Like the recent Polish reforms, it might also have caused a 20 to 30 per cent decline in output.

So how is NHS reform being managed? The first principle is that consumers should be insulated from change, at least during the first stages. Services thus remain *free or nearly free* at the point of delivery. The second is that the vast bureaucracy of the NHS has to be eased gently into a competitive world. The commissioning of services is being split from their production, which will be increasingly undertaken by independent (but not privately owned) hospitals. Over time the production units will be expected to compete for contracts rather than fulfil agreed quotas. But all agree that market skills have to be learnt and that this is likely to be a lengthy process. The cost and information systems necessary if prices are to mean anything will take years to install.

The parallels between the NHS and eastern Europe are obviously forced. Health care is a very special product. The (ostensible) aim of NHS reform, moreover, is not a free market in medical services. That said, there are surely many lessons for east-bloc reformers. The most important is that a transition from central planning to capitalism cannot be achieved in a single bound. It must be phased in gradually. The sensible strategy is to protect consumers while taking steps gradually to increase the efficiency of production.

LETTERS

Ecu: a gambling chip?

From Professor Charles Goodhart.

Sir, While the details of the hard ecu system proposed by Mr John Major, the UK Chancellor, remain to be presented in detail, it appears that the concept would involve the hard ecu being realigned alongside whichever exchange rate mechanism (ERM) currency appreciated most.

If there is a non-zero possibility of just one particular currency – say, the D-Mark – appreciating (relative to all the others), then market arbitrage would force, subject to transactions costs, the equilibrium interest rate on the hard ecu to come into line with the (riskless) D-mark rate. Any attempt by a European Monetary Fund (EMF) to set a differing interest rate would be swamped by market forces.

Let us next assume, however, that there is a non-zero possibility of some ERM currency appreciating – but we do not know which currency. Then, in effect, holding a hard ecu is equivalent to having a call option to purchase at par, whichever currency has actually appreciated. That option has a theoretically calculable value. Consequently the equilibrium interest rate on hard ecus would be below that of the lowest domestic national interest rates among ERM countries.

Thus, the terms currently stated for the hard ecu imply that it would be, in practice, a derivative asset with an equilibrium interest rate that would have to be market determined, and could not be independently set by an EMF.

Furthermore, at times of considerable market uncertainty about realignments, the premium from the option value could be sufficient to drive the equilibrium interest rate below zero.

If private sector agents then have the option of exchanging zero-yielding national currency notes for ecus at a pegged exchange rate (with the hard ecu at its upper margin), it would provide a recipe for currency chaos.

It also appears that Chancellor Major would impose "an obligation on all member states' central banks to repurchase their own currencies from the EMF for hard currencies." That makes such national central banks the practical writers of such call options.

As is well known, the potential loss from writing options is open-ended. Seeing that no premium is being received in lieu, it is hard to see why central banks should agree to take on an open-ended contingent commitment to provide (mispriced) currency call options to the European private sector.

Chancellor Major's present proposal unhappily confuses two alternative objectives for the ecu; the first is as a truly separate currency, and the second is to have a deterministic link with other European currencies.

The result, *alas*, is a mess.

Charles Goodhart,
9 Upper Phillimore Gardens,
London W8

Examined in north Britain

From Mrs Ruth Gordon.

Sir, A great deal is made of the English system of advanced (A) level school examinations being unsatisfactory (June 19); rather less of the Scottish system of "Highers," in the context of these being an excellent method of examining 16-17 year olds in, normally, four, five or six subjects, according to ability. This is done is Scots pupils' fifth year at secondary school. Sixth year pupils can take further "Highers" or sixth year studies, which are intensive courses particularly suitable for those wishing to go to university or technical college (in England, a polytechnic). Universities accept three "Highers" with two ordinary (O level) grades as entry qualifications.

I think pupils have a much wider knowledge as a result of the Scottish system – hence, perhaps, the proliferation of Scots in the City?

English educationalists would learn much from a detailed investigation of the Scottish system, which would serve the needs of the children far better than the constant moaning we are subjected to about the failings of the English system.

I am sure their Scottish counterparts would be happy to assist and advise.

Ruth Gordon,
Willowbrae,
Tayport,
Fife, Scotland

Maybe brasshats should pause

From Mr P.H. Twyman.

Sir, You report (June 14) that UK Ministry of Defence officials and RAF officers have attacked the suggestion, made by Mr Alan Clark, their minister, that Britain should think in terms of simpler and cheaper weapons.

It is a pity that these officials had not read the previous day's edition of your newspaper, which juxtaposed the report of Mr Clark's speech with a summary of the House of Commons Defence Committee findings on the development of a new generation of missile – a programme which has slipped by three years or more, where the increase in estimated development costs has been some 65 per cent, and the full development had begun without the certainty that key aspects of the requirement would be feasible.

Perhaps the brasshats should pause and reflect further on their minister's suggestions – and avoid knee-jerk reactions. As a taxpayer, I want our armed forces to be *effective* – *but not* at limitless cost – and it seems to me that Alan Clark has got the balance right.

P.H. Twyman,
129 Minnis Road,
Birchington, Kent

Credits to safeguard defence

From Mr D.M. Evans.

Sir, As a professional defence analyst specialising in Warsaw pact affairs I have been reading your articles on eastern Europe and the Soviet Union, and your articles on the defence issues in Nato with a great deal of interest. I congratulate you on the high standard of the work.

Current debates about "peace dividends" and cuts in UK forces are missing a point, however.

In overall terms, cuts in forces can lead to enhanced security by the judicious allocation of the funds released to bolster newly emerging eastern European democracies.

Historically, it was British policy to rely for its security on the Navy and the maintenance of a balance of power on the Continent. This balance was achieved through alliances and by encouraging the friendship of various states through economic subsidies.

Thus, during the Napoleonic era it was British subsidies, for instance, which maintained the ability of Prussia to stand up to the French; British subsidies also greatly assisted the Russians during this time.

I suggest that it would be in the UK's interest, and that of Nato, to ensure the stability of eastern European democracies *by generous credit agreements* to help them through the painful transition to a market economy.

In this way a buffer for western Europe against the possibility of a resurgent Russian threat could be obtained. In addition the maintenance of stability in eastern Europe and the Balkans would do much for European security in general. A cut of, say, of 25 per cent in the UK's defence budget would free about £5bn a year for this purpose. It would also help to defuse accusations that the UK is "dragging its feet" on arms reductions.

Moreover it would also satisfy the UK Treasury, which is certainly looking for real cuts. The present moratorium is increasingly likely to be followed by, or to be accompanied by, a defence review in all but name.

Any cuts made would, I suggest, enhance the UK's and western Europe's security to a greater extent if the money were spent on economic subsidies in this way rather than by comparable spending directly on military forces.

That the east Europeans would accept such subsidising linked to implicit political conditions should not be doubted: even the Russians are now looking for credit and are prepared to be *"bought off"* – if reports of proposals of a $7bn credit agreement with Bonn in return for German unification are to be believed.

It may be necessary, for the sake of saving national face, to hide the fact that the objective is ultimately to secure western security interests, but that should not prove too difficult, especially if loans were issued through the new European Bank for Restructuring and Development. The very fact of stable east European economies would in itself help to safeguard the west.

D.M. Evans,
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FINANCIAL TIMES
Friday June 22 1990

Bonn go-ahead for loan to Moscow

By Katharine Campbell in Frankfurt

THE West German Government has given the green light for a DM5bn ($2.97bn) loan to the Soviet Union in a gesture that reflects Bonn's wish to lend concrete support to President Mikhail Gorbachev.

The government-guaranteed loan, further details of which could emerge today after the budget committee has given its seal of approval, will be jointly lead-managed by Deutsche Bank and Dresdner Bank, West Germany's two largest banks.

The funds will be priced at, or close to, market levels.

Mr Otto Lambsdorff, leader of the Free Democrats, junior partners in the West German coalition, yesterday confirmed the banks' willingness to participate. Other Frankfurt bankers said they had not yet been approached about participation in a consortium, which will, given the political background, consist exclusively of German banks.

The government guarantee, without which the support from commercial banks could not have been secured, was wholly appropriate in the light of the current economic and political situation in the Soviet Union, according to Mr Lambsdorff. He admitted, however, that the risk to Bonn as the guarantor was not insignificant.

Trade payment delays to foreign creditors, estimated as high as $2bn earlier this year, have underlined Moscow's economic difficulties.

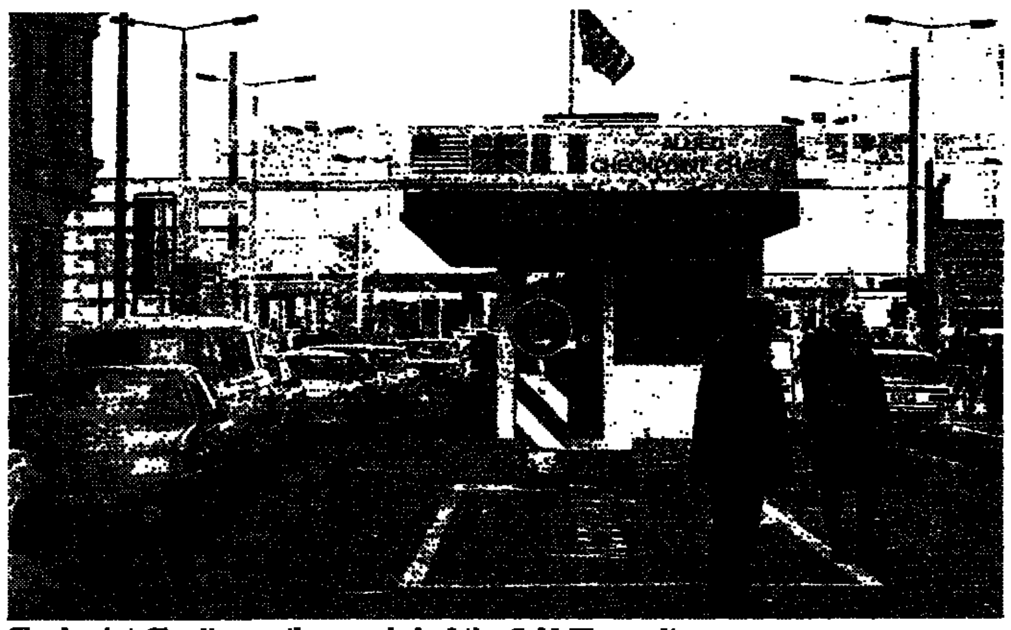
Mr Helmut Kohl, the West German Chancellor, is understood to be strongly encouraging other European heads of government to make money readily available to the Soviet Union. Earlier this week President George Bush lent support to the idea of a country-by-country, market-related approach, in contrast to some form of government aid reminiscent of the Marshall Plan.

The last credit advanced by West German banks to the Soviet Union was a DM3bn export finance related loan in 1988, only DM2.5bn of which had been drawn down when it expired at the end of last year.

This latest credit will, however, be for broader balance of payments financing needs, in the course of restructuring the Soviet economy.

Clap hands, there goes Charlie

Leslie Colitt says farewell to Europe's most famous border crossing



Checkpoint Charlie: another symbol of the Cold War melts away

CHECKPOINT Charlie, the Allied crossing point between East and West Berlin which will be dismantled today, will remain etched in the memory of a generation of Berliners long after it has gone and the city is reunited.

The original checkpoint, a hut on the West Berlin side, will be taken down in the presence of Mr James Baker, the US Secretary of State, and other western foreign ministers. The nondescript metal structure came to symbolise the multiple border controls which divided Berlin.

Established some months after the Berlin Wall was built in August 1961, the hut was used to process Allied military personnel visiting the East, who were not subjected to controls by the East Germans because of the Four Power Status of Berlin.

The East German border crossing-point was less than 100 metres from the hut. Gradually it, too, took on an air of permanence. Low wooden sheds were erected in which foreign civilians often had to wait hours for entry.

All the phobias of the East German leadership were reflected here. Grimly determined border controllers were instructed on how to deal with westerners who were patently out to undermine socialism.

Customs controllers rifled through handbags, wallets and pockets of western visitors in search of anything which seemed of interest. Bits of paper found with addresses on them were grounds enough for interrogation. Invariably, visitors were asked who they were going to see in East Berlin and where. The border controllers worked closely with the Stasi secret police.

Western newspapers and books, including "revisionist" socialist literature, were automatically impounded. I was subjected to minute searches at the border when I returned from Warsaw during the rise of Solidarity in Poland in 1980 and 1981.

Western motorists entering and leaving East Berlin were subjected to a ritual in which the boot, bonnet and other parts of the car were carefully inspected. On leaving, a long rod was inserted into the petrol tank and the rear seat was lifted up to make sure there was no escapee inside. The inspection mania even extended to the sandwiches which I occasionally had with me; these were x-rayed at the border, as, on one memorable occasion, was a banana.

My own intimate relationship with the checkpoint began in mid-September 1961, a month after the building of the Wall. Ingrid, my East German future wife, who lived in East Berlin, was ready to escape and I was to accompany her. We downed two double vodkas in East Berlin's Pressecafe and entered the gloom of Friedrichstrasse.

We walked westward down the nearly deserted street toward the crossing point into West Berlin. It was later dubbed Checkpoint Charlie by the US Army – Alpha and Bravo checkpoints were at either end of the Berlin-Helmstedt motorway.

Passing the ruins and grassy spaces of what was once one of the busiest avenues in pre-war Berlin, we threw our remaining East German Marks into the breeze.

My wife was carrying a borrowed western passport and had carefully rehearsed a dialogue in English.

A lone border guard stood under a street lamp at the corner of Friedrichstrasse and Zimmerstrasse. This was before East Germany introduced entry and exit stamps and visas for East Berlin. We approached the young guard and I held out my passport.

Trembling, Ingrid dropped her passport on the sidewalk. We all dived to pick it up. The tension was broken and after a perfunctory glance the border guard handed back the passport and waved us through to West Berlin, wishing us "Guten Abend".

In the coming weeks and months we joined the many West Berliners standing at vantage points along the border to catch a glimpse of relatives in the East who were forbidden to wave back.

The harsh border regime lasted until 1983 when West Germany backed a loan of DM1bn to a hard-pressed East Germany, ending a western credit embargo.

Virtually overnight, the East German border controllers were transformed into polite, smiling officials. Indeed, if you were a frequent traveller through Checkpoint Charlie, they would even inquire about your family.

US split over rules on foreign takeovers

By Peter Riddell, US Editor, in Washington

A VIGOROUS argument has developed within the Bush Administration over regulations for the oversight and screening of foreign takeovers of US companies.

The Treasury favours a broadly open investment policy with limited exceptions on strictly national security grounds, while the Commerce and Defence Departments want to strengthen and extend the controls.

After a debate lasting nearly a year, foreign investors have expressed concern that the final version of the Exon-Florio regulations now in preparation will damage their interests.

The Exon-Florio provision of the 1988 Trade Act strengthened presidential powers to stop foreign purchases of US companies and order divestiture on national security grounds.

Its early draft, published last year, provoked a rush of complaints from overseas investors. Mr Elliot Richardson, chairman of a group lobbying on behalf of overseas investors, has written to Mr John Sununu, the White House Chief of Staff, to protest.

He warns that the final regulations "will adversely affect foreign investors' interests in the US, constitute a disincentive for future inward direct investment, and invite retaliation against American direct investment in other countries."

Mr Richardson, argues that the rules will cover far more transactions than necessary to protect national security.

Roughly 350 transactions, or about 50 per cent of all foreign acquisitions in the US valued at $1m or more, will be notified to the Committee on Foreign Investment in the US, the Treasury-led group which implements the rules.

About the only progress which foreign investors have made is towards the provision of greater assurance that the Administration will not reopen already cleared transactions and to narrow the applicability to financial institutions.

Italian court freezes Lloyds Bank assets

By Haig Simonian in Milan and John Wyles in Rome

A COURT in the Italian city of Pisa has issued an order sequestering $796.2m from Lloyds Bank of the UK. This follows hearings over a mysterious private injunction against the bank.

The order, which was issued on Wednesday, is against all lire or foreign currency deposits held by Lloyds at Italian banks. Several accounts have already been frozen.

Both Lloyds Bank and the court have responded to enquiries about the case with a wall of silence. However, it appears the action concerns an attempt by a group of Italians to seek damages following the seizure of financial investments by British police.

According to sketchy details available in Italy last night, the group had attempted in 1987 to cash Philippine notes worth more than $790m at an Isle of Man branch of Lloyds. The bank is understood to have reported the matter to the police, who then prosecuted the Italians on charges which are not known. Although the defendants were cleared by the court the police are said to be still holding the Philippine investments.

The bank's actions were prompted by enquiries which revealed that the transaction "was not proper," according to a person closely connected with the affair. Lloyds subsequently informed the Italian police of its suspicions.

It now appears that the Italian plaintiffs have convinced the Pisa court that Lloyds has a case to answer, triggering the sequestration order.

Although the bank has given no details of the transaction involved, it has stressed that neither loans nor guarantees of any kind are involved. A Lloyds spokeswoman in London said that the Pisa injunction is "without any foundation."

The bank is seeking advice from its lawyers and "taking the necessary measures to ensure that its customers are not affected," she said.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	24	75	Dallas †	S	26	79	Madeira	F	23	73	Prague	C	17	63
Algiers	S	29	84	Dublin	R	12	54	Madrid	S	25	77	Reykjavik	F	11	52
Amsterdam	F	13	55	Dubrovnik	F	28	82	Majorca	S	27	81	Rhodes	S	27	81
Athens	S	29	84	Edinburgh	C	14	57	Malaga	S	31	88	Rio de Janeiro		–	–
Bahrain	S	34	93	Faro	S	20	68	Malta	S	27	81	Rome	S	26	79
Barcelona	F	24	75	Florence	F	27	81	Manchester	C	15	59	Salzburg	F	18	64
Belfast	F	15	59	Frankfurt	F	20	68	Melbourne	R	14	57	S'Francisco †	S	14	57
Belgrade	S	31	88	Geneva	S	21	70	Mexico City		–	–	Santiago		–	–
Berlin	F	20	68	Gibraltar	S	23	73	Miami †	S	29	84	Seoul	C	20	68
Biarritz	F	24	75	Glasgow	F	16	61	Milan	F	25	77	Singapore	F	31	88
Birmingham	R	15	59	Guernsey	C	13	55	Montreal		–	–	Stockholm	F	22	72
Blackpool	F	16	61	Helsinki	S	19	66	Moscow	R	10	50	Strasbourg	F	20	68
Bombay	F	32	90	Hong Kong	S	31	88	Munich	F	20	68	Sydney	S	15	59
Bordeaux	R	22	72	Innsbruck	S	19	66	Nairobi		–	–	Tangier	C	22	72
Boulogne	R	14	57	Inverness	T	14	57	Naples	S	26	79	Tel Aviv	F	28	82
Bristol	R	12	54	Isle of Man	S	14	57	Nassau		–	–	Tenerife	C	23	73
Brussels	F	18	64	Istanbul	S	27	81	Newcastle	R	12	54	Tokyo	C	28	82
Buenos Aires		–	–	Jersey	R	15	59	New Delhi	S	36	97	Toronto †	C	16	61
Budapest	T	24	75	Johannesburg	S	15	59	New York †	C	21	70	Tunis	S	29	84
Cairo	S	32	90	Las Palmas	F	23	73	Nice	S	24	75	Valencia	S	27	81
Cape Town	C	11	52	Leeds	F	16	61	Nicosia	S	29	84	Venice	F	26	79
Cardiff	R	12	54	Lisbon	Dr	20	68	Oporto	R	17	63	Vienna	R	16	61
Chicago †	S	18	64	Locarno	C	24	75	Oslo	R	15	59	Warsaw	F	30	86
Cologne	F	18	64	London	R	13	55	Paris	R	15	59	Washington †	F	24	75
Copenhagen	R	15	64	Los Angeles †	C	18	64	Peking		–	–	Wellington	C	10	50
Corfu	C	28	82	Luxembourg	F	17	63	Perth	S	17	63	Zurich	F	21	70

C – Cloudy. Dr – Drizzle. F – Fair. Fg – Fog. H – Hail. R – Rain. S – Sunny. Sl – Sleet. Sn – Snow. T – Thunder.
† Noon GMT temperatures

Way open for union

Continued from Page 1

German unification by the end of the year.

He suggested that other countries party to the 35-nation Conference on Security and Co-operation in Europe (CSCE) would be able to join the pact. The Chancellor confirmed his aim for a November CSCE summit to ratify the conditions for German unification worked out between the two German states and the four Second World War victors.

Yesterday's joint East-West German declaration on the Polish border was passed without opposition in the Volkskammer. Before the formal vote in the Bundestag yesterday evening, only a few conservative deputies had signalled their intention to oppose it.

A formal treaty is due to be signed, perhaps early next year, between Poland and a united German government. This will unambiguously acknowledge that the area east of the Oder-Neisse line annexed by Poland in 1945 represents Polish territory.

The Volkskammer approved by 302 to 82 the monetary union treaty signed by both governments last month, under which the D-Mark will be brought into East Germany on July 1. This was comfortably more than the necessary two-thirds majority.

Du Pont to freeze plans in row over some CFC substitutes

By Peter Marsh and David Thomas in London

DU PONT, the biggest US chemicals company, has frozen plans to spend $350m on plants in North America, Europe and Japan to produce alternatives for chemicals which damage the ozone layer because of moves to control some of the substitutes.

The company is the world's biggest producer of the ozone-depleting chlorofluorocarbons (CFCs) – which are widely used in air-conditioning, refrigeration, packaging and aerosols.

Imperial Chemical Industries, the UK company which is one of the world's largest CFC producers after Du Pont, also warned that it might scrap plans to make these substitutes.

However, in spite of Du Pont's decision to stop design work on the plants, it is to invest an estimated $400m at four factories in the US, Japan and the Netherlands to make other kinds of CFC substitutes.

ICI also said it had boosted previous investment plans for a similar range of substitutes by 75 per cent. It is now planning to spend £105m ($181m) on two factories in the US and the UK.

Du Pont's decision came as representatives of more than 100 countries are meeting in London to discuss a strengthened international agreement on the ozone layer, which protects the Earth from damaging ultraviolet radiation that can cause skin cancer. The conference delegates are likely to agree to phase out CFC use by the end of the century.

The chemical industry is developing two main types of CFC substitutes. One of these, known as the HCFC family, has a small effect on the ozone layer and the other, the HFC family, has none, although it contributes to global warming.

Chemical companies argue that the world should switch over to HCFCs as an interim step because they are cheaper and simpler to use. However, environmental organisations are pressing the London conference for immediate controls on HCFCs.

The conference may call for the eventual phasing out of HCFCs, although several countries, including the UK, will oppose incorporating this in the main agreement. The US Congress is also discussing a ban on these chemicals early next century.

Du Pont is proceeding with plans to build four HFC plants with a total capacity of 60,000 tonnes by 1995. They will be in Corpus Christi, Texas; Louisville, Kentucky; Dordrecht, the Netherlands; and Chiba, Japan.

Mr Tony Vogelsberg, an environmental manager at Du Pont, said HCFCs were on average 95 per cent less damaging to the ozone layer than CFCs. "But if society decides it does not want these chemicals then we will not waste time developing them."

Ecu plan rejected

continued from Page 1

that view, stressing instead her determination to maintain Britain's sovereignty over economic policy.

Whitehall officials sought to emphasise that there was no question of a split between the Prime Minister and her senior Cabinet colleagues.

But there was private acknowledgment that Mrs Thatcher appeared determined not to be seen as being forced by Mr Major and Mr Hurd into a "U-turn" over EMU.

Her stance is being backed by Mr Nicholas Ridley, the Trade and Industry Secretary, whose relations with Mr Major and Mr Hurd are said by Cabinet colleagues to have become intensely strained.

There is deep concern within Whitehall that unless Mrs Thatcher softens her tone, Mr Major's proposals may be rejected out of hand by other EC states.

The Prime Minister's suspicions over the encroachment of the Community's authority, however, have been intensified by this week's decision by the European Court that British courts can suspend an act of parliament which might breach EC law.

Ministers said that Mrs Thatcher had spoken at length of her anger at the decision during yesterday's Cabinet meeting, in spite of attempts by the Government's senior legal officers to play down the significance of the ruling.

THE LEX COLUMN

The late arrival at the EMU ball

The City reaction to Mr Major's plan for the hard Ecu comes down to three propositions: that the system is workable and even elegant; that it has not the slightest chance of acceptance; and that its chief significance lies in the implied final guarantee that Britain is about to join the ERM. The principle of a central currency has at last been accepted; and if the UK is to have any say on the nature and timing of the new system at the inter-governmental conference in December, ERM membership looks a minimum condition.

Other than wheedling Mrs Thatcher through the gate of currency union – and as she showed again yesterday, she still needs careful handling – it is not quite clear what Mr Major and the Bank of England are up to. The scheme is presented as an opportunity for everyone to practise having a central currency without plumping for it all at once. The snag is that if all the members of the ERM were truly committed to hard currency and monetary stability, the extra currency would be redundant; and if they were not, the system could be no more guaranteed against breakdown than any other.

A further argument advanced for the Major system is that it would avert the German threat of two-speed union. Again, this is true in theory. But it all comes too late in the day, by which time the UK's motives are perhaps fatally compromised in the eyes of its partners. The commitment to monetary stability is indeed crucial; and the country most inclined to haggle over it is the UK itself.

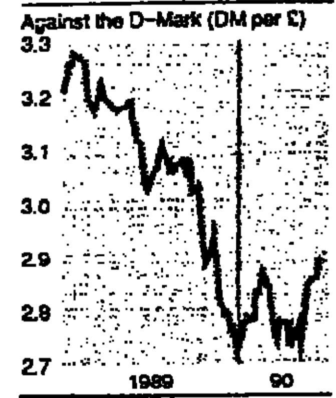
Analysts

Phillips & Drew is down, Kleinwort is up, James Capel is still on top but drawing flak from three quarters of the crowd. The annual Extel survey is upon us; and its ratings deserve to be taken with the usual pinch of salt or even ignored altogether. It is at least arguable that the star system among British stockbrokers' analysts is at best a pointless anachronism, given the weight of evidence that the market is already efficient in pricing UK alpha stocks, the ones the "stars" tend to follow.

At worst, the whole thing helps defer the re-adjustment of London stockbrokers' salary scales to something close to reality. On the highly conservative assumption that stockbroking analysts cost £50,000 each to feed, house and equip, the 1900 members of the UK profession consume £100m a year. It is scarcely surprising, too, that 46 per cent of fund managers who replied to Extel have stepped up their own research teams. For the merchant bank asset management houses, the largest pension funds, and the likes of Prudential and Standard Life, after all, this has been a *sine qua non* for a long time.

Sterling

Against the D-Mark (DM per £)



There are two unequivocally welcome things in this year's survey. One is the evidence that research boutiques such as the Carnegie Institute and Fox-Pitt Kelton are making real inroads into the ratings. The other is the readiness of institutions to give proper recognition for genuinely innovative research, in this case the Shearson Lehman long-range study of drug company R&D.

Parkfield

The speed with which a growth stock can plunge from grace remains astonishing. The near-50 per cent drop in Parkfield's share price yesterday still leaves the video distribution and iron foundry group with a market value of £96m; but even at that level, the shares look vulnerable. The scanty 45-word profits warning implies that taxable income fell to less than £9.3m in the second half, against £16.3m in the same period last year. This is bad news in itself; perhaps equally worrying is the fact that seven weeks elapsed after the year end before Parkfield realised that it should tell its shareholders that something was up.

As so often now with quoted companies, Parkfield yesterday blamed its difficulties – to the extent that it was talking at all – on former management of a subsidiary: in this case, in video and entertainment. It is impossible for an outsider to determine whether this is fair or not. What one can say is that at April 30, 1989, Parkfield had net bank borrowings and finance leases of £24.1m, plus £30m of preference shares to service. It seems highly unlikely that its indebtedness has not increased significantly, which should give the shareholders something else to think about.

Anglo

The dissolution of the Goldsmith-Rothschild empire continues apace. The end of Anglo Group comes only 14 months after its formation, with grandiose plans for acquiring "one or more significant publicly quoted United Kingdom companies". The sale of Anglo Leasing now leaves nothing more than the 29.5 per cent RHM holding and a lump of cash, the whole having an asset value some 38p higher than yesterday's suspension price of 173p.

It seems clear that the RHM impasse must be resolved by the time of Anglo's AGM on July 25. The fall-back position is a simple liquidation and the handing of the RHM shares back to the shareholders, who mostly consist of Goldsmith and Rothschild in other guises. The whole situation clearly risks unfairness to the minority shareholders. But since these consist largely of confirmed Goldsmith/Rothschild fans, they can doubtless take care of themselves.

Wellcome

In the past two days, the Wellcome share price has fallen by 10 per cent, for no better apparent reason than a couple of reduced brokers' forecasts and some inconclusive background noise from the AIDS conference in San Francisco. The violence of the move is a reminder of how little a stock like Wellcome responds to analysis. The profit projections are based on assumptions so arbitrary as to be almost worthless; besides, the market is never good at valuing companies whose growth rates are remote from the average.

There is an instructive comparison with Racal Telecom, on a similarly high rating in a similarly fast-growing market. Both have shown the same volatility in the past nine months on no real news, swinging 15 per cent either way against the market average. Forget about AIDS and cellular phones: just buy and sell on the swings.

FINANCIAL TIMES
COMPANIES & MARKETS

 Friday June 22 1990

INSIDE

Holmes takes a bitter pill for what ails

If grudges were cash, Holmes would be thriving. Disillusioned investors have watched as the New York security company's shares – which are only listed in London – have dropped from a peak of 189p in 1987 to just 12p. Andrew Hill reports as the company, under new management, prepares to announce disastrous results. **Page 30**

Budapest bourse back in action

The Budapest Stock Exchange re-opened yesterday in the same small room used 42 years ago, but the atmosphere was anything but dull. Hectic turnover, sparked by an electric atmosphere, eclipsed all previous records. Yet just one stock – that of Ibusz, the Hungarian travel group – was launched to coincide with the reopening. Nineteen others are quoted, and have until the end of this year to conform to the BSE's listing requirements. **Back Page**

Aiming for trouble

Peter Gyllenhammar, distant relation to Volvo chief Per Gyllenhammar, specialises in buying and restructuring troubled concerns. His Mercurius Group, the Stockholm-based industrial and investment conglomerate, has recently been active in the UK, taking stakes in a diversity of groups ranging from batteries to timber. "It is often fine companies that founder due to circumstances that are correctable," Mr Gyllenhammar has said. "It is then that we come in." John Burton reports. **Page 24**

Shine goes off Parkfield shares

Parkfield Group, once a star performer on the FT – A All-Share Index, fell from grace yesterday with a profits warning which wiped £80m ($137.6m) off its market value. Shares plunged from 346½p to 189p after the announcement, valuing the company at £96m. Andrew Bolger reports on the fortunes of the UK manufacturing and entertainment group. **Page 30**

THE FT REVIEW OF BUSINESS BOOKS

Today the FT publishes a 12-page tabloid pull-out on new business books, featuring reviews on the latest publications on economics, trade, industry, management and finance. On page 3 two book titles have been wrongly attributed. The book reviewed by David Kynaston is Capitalism in a mature economy 1870 – 1939, edited by J J van Helten and Y Cassis, published by Edward Elgar at £38.50 (226 pages). The title reviewed by Charles Leadbeater should read Partnerships for profit, by Jordan D Lewis, published by The Free Press (Macmillan Inc. New York) at £22.50, 336 pages. The price of A dictionary of business quotations, reviewed on page 12, is £14.99 (224 pages).

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Degussa	491	+	11.5
Heidelberger	1280	+	60
Mannheimer Vers	880	+	29.5
Muench Rueck	2315	+	165
Philips Kommun	549	+	11
Schmalbach-Lub	261	+	10
Eurotunnel	43	+	3.5
Ins Merlew	4080	+	248.9
Metaleurop	180	+	11 7

NEW YORK ($)			
Rises			
Am Cyanamid	56⅝	+	¾
Ashland Oil	37⅜	+	
Liggett Grp	11⅝	+	½
UAL	156½	+	½
Falls			
Clorex	41¼	–	2⅝
Pfizer	64	–	¾

PARIS (FFr)			
Rises			
El Dassault	316	+	21 4
Falls			
Canal Plus	925	–	27.8
Synthelabo	556	–	17.5

TOKYO (Yen)			
Rises			
Ahresty	2640	+	400
Jidosha Denki	1400	+	110
Sakai Textile	1050	+	100
Wakamoto Pharm	2250	+	180
Falls			
Hohsui	1130	–	100
Nozaki Insatsu	1410	–	140

New York prices at 12.30.

LONDON (Pence)			
Rises			
Asprey	405	+	25
BAA	446	+	11
Brit. Telecom	300	+	5½
Cadbury Schwps	364	+	17
Courtaulds	365	+	4
Delta	381	+	10
J.S. Pathology	240	+	8
Meyer Int.	410	+	6
Priest Marians	183	+	15
Takare	595	+	35
Utd. Biscuits	374	+	17
Utd. Inds.	38	+	6
Falls			
Broadwell	50	–	4
Burton Grp.	155	–	5
Cabra Estates	30	–	8
Davy Corp.	230	–	4
Eurotunnel	433	–	52
Parkfield Grp.	189	–	57½
Wellcome	800	–	33

Bond empire faces crucial vote

By Andrew Freeman and Gordon Cramb in London

BOND CORPORATION, the main company in Mr Alan Bond's Australian corporate empire, believes it could be forced into liquidation unless it can win a series of votes at bondholders' meetings in London next week.

Mr Peter Lucas, a Bond director, said yesterday that if resolutions being put to a group of its bondholders were rejected, its cash-generating brewing interests "would be put into liquidation" by the banks to which it owes A$880m (US$690m). If that happened "the Bond Corp directors would have to think very carefully about the question of Bond as a going concern." Mr Lucas added: "A 'no' vote would bring down the whole pack of cards." Holders of four issues of convertible and exchangeable bonds are to vote next Thursday on whether to approve the A$1.8bn sale of Bond Brewing Holdings – producer of Swan, Castlemaine XXXX and Toohey's lager – to Bell Resources, an independently managed affiliate of Bond.

The move forms part of a complicated restructuring of the group's remaining assets. In the last two years Bond and its offshoots have made disposals totalling A$6.7bn but, by the group's own figures, were still carrying debt of A$6.3bn last month.

This included around A$1.7bn in convertible bonds. At the London meetings, holders of some of those bonds are also being asked to waive an interest payment due to them in July and to approve a one-year moratorium on further payments.

If they vote for the resolutions, Bond Corporation's management gains a breathing space in which it says it will complete the sale of the brewing assets and make proposals to reorganise the group. Any other outcome could trigger liquidation of the group.

Mr Lucas is pessimistic about gaining the necessary support from bondholders. They have seen the value of their investments severely eroded, and on the list of creditors rank ahead only of shareholders. He says a "revenge" rejection would be understandable, but argues that bondholders would stand to lose everything from such a vote.

The convertibles are almost worthless after the Bond group's tribulations. Yesterday, a sterling issue was quoted at a bid price of 5 per cent of its face value, but traders said no one would buy the paper. The bonds have an intrinsic value only because there is still a chance that they will eventually yield a dividend.

Bondholders appear split on the proposals, which require a daunting 75 per cent majority of those attending the meetings. One commented: "Our initial attitude was to tell the management to get lost – why should we help them out? Now, we realise we haven't really got a choice if we want to see some money back."

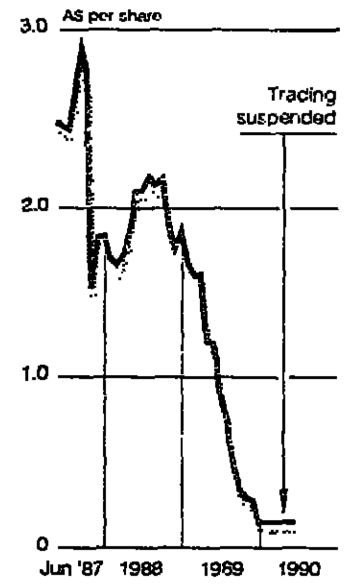
However, according to Mr Terry Povey of stockbroker ANZ McCaughan, "Those I have spoken to are unwilling to give up the right to a coupon" but they might allow the brewery sale to go through.

Bond is also in dispute with a group of US debenture holders which it has offered to buy out at a deep discount. In addition, Australian regulators are investigating the company's affairs.

Even if it secures approval next Thursday, Bond does not now expect to be able to complete the brewery deal before its June 30 year-end. This suggests that its annual accounts are likely to be in worse shape even than those of last year, when it reported a net loss of A$980m.

● The bonds concerned are: two issues convertible into Bond Corporation, a $200m 5½ per cent issue and a £80m 6 per cent deal, both due to mature in 1997 and issued for Bond Finance International; and two issues convertible into shares of Allied-Lyons, the UK group in which Bond at one stage had a substantial stake, which have by now nearly all been converted.

Bond Corporation



Glyn Genin

Sears "Power Format": splashed with neon and jazzy decor

Grandma gets a facelift

Barbara Durr reports on Sears' bid to shed its old-fashioned image

SEARS, the largest retailer in the US, is as familiar a part of every-day American life as Coca-Cola, Chevrolet or McDonald's. Yet it is struggling against one of the most intractable problems in the industry: image.

The battle is evident in the Chicago suburb of Aurora, Illinois. Here, the Sears store – considered a model of the company's new concepts in merchandising – is barely recognisable as the stodgy, no-frills "family" shopping place of yesteryear.

The Aurora store sports what Sears calls the "power format" for presentation of goods. A teen department is splashed with neon and jazzy decor. There's a nook full of smart black and white sports clothes for women, with tasteful abstract art prints adorning the walls. A boys' section has been done up as a sprightly locker-room with video games nearby.

Other departments, like garden tools, still have the old Sears feel, but virtually all the clothing sections have been redesigned. The emphasis on apparel is not casual. Sears still has a good turnover of household goods – everything from consumer durables to hardware. But clothing is where it must compete more effectively to keep pace with the specialty stores and discounters that gnaw at its customer base.

Sears's 847 stores are generally located in shopping malls. Studies have shown that most consumers go to malls to buy clothing, not power drills. Mr Joseph Slater, the proud manager of the Aurora store, says that Sears must look more like the competing specialty shops which line the corridors of the mall.

To lure the customers, Sears has added nationally-known brands, in clothing and in household goods. Better women's labels are still scarce, however, because fashion manufacturers shun the company in fear of downgrading their own image.

The revamped stores are also converting stock rooms and other non-selling space to merchandise displays. Mr Slater has added 15,000 sq ft to the fashions floor for a total of 60,000 sq ft. He would not reveal figures, but said the better displays were translating into more sales.

The strategic changes in the merchandising group within Sears, Roebuck – the corporate parent which also owns Dean Witter Financial Services, Allstate Insurance and the Coldwell Banker real estate group – were announced at the end of 1988. The plan has only been partly implemented so far, even though Mr Edward Brennan, the Sears chairman, says success for the merchandise group is a key to the company's overall success.

Merchandising's contribution to profits has steadily eroded over the past five years. Last year it accounted for 58 per cent of the company's $53.8bn in revenues, and 42 per cent of its $1.5bn in profits. In 1985, it claimed 67 per cent of revenues and 59 per cent of net income.

Mr Richard Nelson, a retail analyst at Duff & Phelps in Chicago, said: "The new strategies are creative, but the execution of those strategies remains to be seen. They haven't shown up in all the stores or in the figures." He added that he was keeping an eye on the new formats to see if they became diluted as they spread.

So far this year, the retailing news has been grim. The merchandising group reported an loss in the first quarter of $37.4m, compared with a profit of $33.8m in the same period last year. Sales rose just 1.3 per cent to $6.84bn.

Sears has already had to modify a part of the plan, called the "everyday low pricing" policy, begun last year to address stronger competition from discounters. Sears found that its customer base, used to responding to special sales, must still be jogged by promotions to come in. Thus, the company has been forced to promote special sales and spend more on advertising, according to Ms Catherine Cooper, an analyst at Kemper Financial Services.

Some of the new advertising, however, clearly aims to shape the store's new up-market image. One new Sears advertisement – for an individual cooler for beach or poolside – can be found in that most stylish of magazines, Vogue.

Results for the bottom line of the new retail strategy are difficult to analyse immediately given that the economy has not been co-operating. A large portion of the company's sales consists of consumer durables, for example, where purchases have shrunk.

Return on equity was 10.9 per cent last year. Mr Brennan – attentive to the impatience that shareholders have recently shown with the pace of the company's improvement – has now set a goal of 15 per cent.

In its other businesses, Sears has reported dull results with the happy exception of its Discover credit card. Discover, launched in 1985, has 33m card holders. At the end of 1989 it had accounts receivable of $8.5bn. It also accounted for income of $35.4m during the first quarter, up from $20.1m for the same period a year ago. The company's Sears card had another $17bn in receivables at end-1989.

Despite the downturn in the equities business, Dean Witter Financial Services posted a 94 per cent gain last year in net income, to $166m from $85.5m in 1988. In the first quarter of this year it increased income by 62 per cent to reach $60.7m – including $24.7m from the Discover card and securities operations.

Allstate Insurance, hit by Hurricane Hugo and California earthquake claims, saw income fall last year to $815m from $953m the year before. In the first quarter, Allstate was still reeling from claims and reported income of just $193.2m compared with $243m last year.

Coldwell Banker reported a 41 per cent increase in profits last year to $127m, but a first quarter 1990 loss of $33.5m.

Sears has agreed to mortgage the Chicago Sears Tower, the world's tallest building, which will bring in $815m to help finance its new strategy.

Sears is clearly staking a lot on transforming its stores. But its nimbleness in the fast-changing world of fashion retailing is not yet proved, and analysts are sceptical that the company's old habits will die easily.

Anglo shares suspended on news of assets disposal

By Nikki Tait in London

SHARES IN Anglo, controlled by Sir James Goldsmith and companies in Lord Rothschild's stable, were suspended yesterday after the group announced plans to sell its only operating asset.

This is Anglo Leasing, which Summit Group, a privately-owned financial services company, has agreed to buy for £120m ($204m). The consideration will come in two equal tranches: the first on completion and the second in March 1991.

The deal leaves Anglo – seen a year ago as the vehicle through which Sir James would return to acquisitions in the UK – with only one significant asset. This is a 35 per cent stake in Sunningdale, which in turn owns 29.9 per cent of Ranks Hovis McDougall, the large UK bakeries and food group. The other 65 per cent of Sunningdale is held by companies within the Rothschild, Goldsmith and Kerry Packer stables. They snapped up their stake from Goodman Fielder Wattie in May 1989, paying 400p a share.

Anglo said that it was "actively reviewing the range of options open to it" in relation to the Sunningdale holding. It suggested five possibilities: it could bid for RHM, someone else could bid, it could sell its stake, it could distribute the RHM shares to Anglo shareholders, or Anglo could retain the interest as a long-term holding.

Anglo has called an annual general meeting for July 25, and says that it will tell shareholders then how liquidity "in respect of the value of their investments in Anglo" will be achieved. Asked whether the RHM situation would have crystallised by then, Mr Andrew Stafford-Deitsch, an Anglo director, said that he thought it probably would have.

RHM greeted the announcement as a "complete surprise," and confirmed that it was not in any current discussions with Sunningdale aimed at resolving its shareholder's position. RHM shares gained 6p at 256p.

The suspension is required because Anglo – shorn of the leasing business – no longer meets London Stock Exchange requirements. The suspension price is 173p, substantially below the peak of 528p reached last July, when the Goldsmith furore was at its height.

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Suchard rules out Morris deal

By William Dullforce in Geneva

JACOBS SUCHARD, the Swiss chocolate and coffee group, denied yesterday that it was being taken over by Philip Morris of the US, as the Geneva bourse announced that trading in the Swiss company's shares would be suspended today.

A Swiss news agency reported after the closing of domestic stock exchanges that, according to a story due to appear today in the Zurich weekly Cash, Mr Klaus Jacobs, chairman of Jacobs Suchard, has sold 60 per cent of the company's voting rights to the US group.

The Geneva bourse announced that trading in Jacobs Suchard shares would be suspended today until 2 pm on the Zurich, Geneva and Basle stock exchanges at the request of Union Bank of Switzerland.

The bourse said UBS had made the request on behalf of Jacobs Suchard which would hold a press conference in Zurich this morning. However, yesterday evening Mr Walter Anderau, Jacobs Suchard's spokesman, denied that his company had asked for the suspension or was holding a press conference.

"I can assure you that we have not sold our company to Philip Morris. This company remains Klaus Jacobs' company," he said. The news agency report of the sale was "nothing but rumour," he added. Mr Jacobs controls the group through Colima, the family holding company.

In New York, Philip Morris, the US tobacco and consumer products conglomerate, would not comment.

Jacobs Suchard has been in the headlines in the past three years for several acquisitions, notably Belgium's Cote d'Or and E.J. Brach in the US, with which it has aggressively expanded its chocolate business.

It was also in the limelight during its losing battle against Nestlé for the purchase of Rowntree in the UK.

Suchard has figured in other reports, which subsequently proved to be groundless, but as a bidder, not as a takeover candidate.

After three years of regular profit growth and dividend increases, Jacobs Suchard reported a 10 per cent decline in net consolidated earnings to SFr275m ($190m) last year despite a 4.5 per cent increase in group turnover to SFr6.7bn.

The profit setback was attributed to a $50m loss on Brach, the US confectionery subsidiary, where Mr Jacobs admitted mistakes had been made in product strategy.

However, in April Mr Jacobs reported a 10 per cent improvement in Brach's first-quarter operational earnings and forecast that the group's net earnings would return to their usual growth rate of 10 per cent in 1990.

Siemens plans DM160m Soviet Union joint venture

By Charles Leadbeater, Industrial Editor

SIEMENS, the West German engineering and electronics group, yesterday announced plans to invest in a DM160m ($95m) joint venture in the Soviet Union to produce digital telecommunications switches.

Although the venture is Siemens' most ambitious move yet into eastern Europe, Dr Karl-Hermann Baumann, head of corporate finance, said the company would not be diverted from growth elsewhere in Europe.

Dr Baumann, speaking in London after the listing of Siemens' shares on the London Stock Exchange, said the company still thought it was under-represented in France and the UK, despite its recent acquisition of Plessey's radar and defence system's interests. The Plessey deal will double Siemens' defence turnover to about DM1.8bn this year.

He said details of the merger of Siemens' computer division with Nixdorf, the troubled West German computer manufacturer, would be unveiled on July 5, to be approved by a Nixdorf shareholders' meeting on August 23.

Dr Baumann said Siemens would have a "solid majority" in the joint company, to be launched on October 1 as Siemens-Nixdorf Information Systems. It is thought Siemens' share could be 80 per cent.

Dr Baumann said Nixdorf's losses would be significantly reduced by the time the merged company started operating on October 1. The merged group would break even in its first full year, after which there would be substantial cost savings particularly in areas such as small business systems and through rationalising Nixdorf's product range.

Dr Baumann said the Soviet venture would start manufacturing in 1991 in Kiev, the Ukrainian capital, with an initial capacity of 1m digital lines a year, rising to 3m by the turn of the century. Siemens' partner in the venture is Po Korolov, a Ukraine-based communications company, and the telecommunications institute of the Communications Ministry. It will manufacture Siemens' EWSD switch for long-distance dialling and large exchanges and the Soviet ESS-DSn switch for local networks. Dr Baumann said that in the long term both switches would be exported from the Soviet plant. Siemens already has a switch manufacturing joint-venture in Czechoslovakia.

The company has 30 memoranda for joint ventures in East Germany which might contribute revenues of DM5bn by the mid-1990s.

Dr Baumann said Siemens' cash reserves would fall this year, despite a rise in net income. The company's US operations, which contribute 11 per cent of its turnover, are still making a loss because of difficult trading conditions in the electronic and automotive sectors.

He said talks with SGS-Thomson, the French-Italian group, over the possible pooling of their semiconductor interests were continuing. Siemens has not yet talked directly to Philips, the other significant European semiconductor manufacturer, although SGS-Thomson has.

Roussel lifts profits by 39.3% to FFr663m

By William Dawkins in Paris

ROUSSEL-UCLAF, the French pharmaceuticals group majority-owned by Hoechst of West Germany, yesterday unveiled a 39.3 per cent rise in last year's profits, mainly thanks to increased sales in its human and animal health divisions.

However, Dr Edouard Sakiz, group president, warned that profits growth would slow to about 10 per cent this year, partly because of the impact of the dollar's fall against the franc, likely to remove FFr150m ($26.6m) from pre-tax earnings in 1990.

Net profits rose to FFr663m last year, from FFr476m in 1988, on sales up by 16.8 per cent from FFr10.59bn to FFr12.36bn.

Human health accounted for 60 per cent of turnover, with 24 per cent coming from veterinary drugs and plant health products.

Exchange rate gains attributable to the dollar accounted for FFr60m of profits.

Among the main features of the improvement were better than expected sales of insecticides and injectable antibiotics in the Soviet Union and China. Insecticide sales in the US and Japan climbed strongly, as did the turnover from the recently restructured French pharmaceuticals subsidiaries.

Claforan, a 10-year-old antibiotic which is Roussel-Uclaf's biggest-selling drug, reported a 27 per cent increase in sales to FFr1.27bn.

Rulid, an antibiotic launched three years ago, recorded a 75 per cent increase in sales to FFr433m, confirming interest in it as a treatment for respiratory infections. Rulid will be launched in six countries this year and is expected to contribute FFr1bn to group sales by 1993.

Roussel-Uclaf's turnover advanced 18.2 per cent in the first six months of this year, from FFr2.99bn to FFr3.54bn, on which net profits – not including exceptional items – climbed by 13.8 per cent, from FFr160m to FFr182m.

The group is looking for joint ventures to develop markets in the Soviet Union and China.

Quietly acquiring value for money

John Burton profiles Swedish entrepreneur Peter Gyllenhammar, whose Mercurius Group is busy pouring cash and faith into a diverse range of troubled companies across Europe

There are two Swedish Gyllenhammars who have been busy in Europe lately. One is Mr Pehr Gyllenhammar, the chairman of Volvo, who forged a partnership with France's Renault this spring. The other, a very distant relation, is Mr Peter Gyllenhammar, a 37-year-old entrepreneur specialising in buying and restructuring troubled concerns, who has been active in the UK.

The Mercurius Group, the Stockholm-based industrial and investment conglomerate controlled by Peter Gyllenhammar, this week lifted its stake in Phoenix Timber to 29.3 per cent. This makes Mercurius the biggest single shareholder in the British timber products and property care services concern.

Mercurius also holds a 16.03 per cent stake in Chloride, the UK battery group, and obtained a 5.03 per cent interest, together with the Swedish investment group Proventus, in Coloroll before the Manchester-based home furnishings group went into receivership this month.

In addition, Accura, a property company in which Mercurius has a 43.9 per cent stake, made an agreed £22m ($37.84m) bid in March for the UK property group City Gate Estates. Accura is headed by Mr Gyllenhammar's elder brother, Mr Frederik Gyllenhammar.

The publicity-shy Peter Gyllenhammar refuses to comment on his British shareholdings, and has had very little contact with the companies involved. On Wednesday, Mr Peter Quinn, chairman of Phoenix Timber, said: "I don't get the impression that they [Mercurius] are very disposed to answering questions." And last month Chloride said there had still been no significant contact with Mercurius, which disclosed an initial 5.1 per cent stake in January, though the UK company had consistently offered to meet the Swedish group.

However, Mr Gyllenhammar appears to be laying the groundwork for acquiring troubled companies in the UK that he believes can be rescued and restored to profitability. He has already assembled a diverse selection of companies in Sweden and abroad, covering everything from shipping and oil prospecting to sawmill machinery and food processing.

What they all share from Mr Gyllenhammar's viewpoint is "value for money" with a potential for generating profits once they are reconstructed. "It is often fine companies that founder due to circumstances that are correctable," Mr Gyllenhammar has said. "It is then that we come in."

Mr Gyllenhammar admits that Swedish analysts treat Mercurius with some scepticism, since the rapidly changing nature of its business activity, reflecting its complex series of acquisitions, is a relatively new concept in Sweden, where analysts are used to more stable corporate structures.

That caution also reflects lingering doubts about Mr Gyllenhammar, stemming from his first business venture. At the age of 21, he quit the respected Stockholm School of Economics and helped establish Trend Invest, an investment company, in the mid-1970s. The company made several disastrous share speculations and went bankrupt, leaving its private investors with huge losses.

After the collapse of Trend Invest, Mr Gyllenhammar shunned the limelight for several years. He produced a stock market newsletter, worked as an analyst for the brokerage firm Hgglfs, served as a consultant to his namesake at Volvo, and later joined the investment group Proventus.

During that period, he forged contacts with several other financiers who later backed the development of Mercurius. They include Mr Sven-Olof Johannsson, who recently staged a successful greenmail raid on Saab-Scania; Mr Robert Weil, the founder of Proventus; and Mr Ulf Linden, a former Volvo executive.

In 1984, Mr Gyllenhammar left Proventus to establish an investment bank, Gyllenhammar & Partners. At the time, the newly-deregulated Swedish credit market was still underdeveloped, with few sources of investment capital outside the domestic banks.

Relying on his experience with mergers and acquisitions, Mr Gyllenhammar concentrated on providing finance and overhauling companies in mature industries rather than entering the field of venture capital. The reconstructed companies were then sold off.

The investment bank first focused on shipping and the offshore industry, which was undergoing a shake-up in Sweden during the mid-1980s with the collapse of several leading companies. He then turned his attention to other industrial sectors such as oil prospecting, transportation, sawmill machinery and food processing. Simultaneously, he was expanding Gyllenhammar & Partners' financial activities, starting brokerage concerns in Sweden and Norway.

In 1987, Mr Gyllenhammar signalled a change in strategy. Instead of just refurbishing companies and then selling them, he decided to keep some of them for long-term development. He formed Mercurius to buy companies that had been rescued by Gyllenhammar & Partners.

Last year, he merged the two companies to form the Mercurius Group, in which he has a 35 per cent interest.

The financial services division, Gyllenhammar & Partners, makes the initial investment in target companies. Mercurius Industry and Trade then supervises companies that are undergoing reorganisation, while Mercurius Development is in charge of concerns that have been rehabilitated.

Mr Gyllenhammar says he plans to make fewer, but bigger, acquisitions in the future and that the emphasis will be on retaining a long-term interest in companies the group has reconstructed.

COMPANY NEWS IN BRIEF

CREDIT AGRICOLE of France and Nuovo Banco Ambrosiano Veneto of Italy have signed an agreement on co-operation in various banking and financial services, the Italian bank said in a statement. The accord follows the recent purchase by Crédit Agricole of a 12 per cent stake in Banco Ambrosiano, Agencies report.

■ **Tabacalera**, Spain's state-owned tobacco monopoly, said its consolidated after-tax profit rose 5.8 per cent in 1989 to Pta10.34bn (US$99m) from Pta9.78bn, buoyed by a strong turnaround in tobacco sales. Mr Miguel Angel del Valle-Inclan, president, told a shareholders' meeting that an 8 per cent increase in tobacco sales helped bolster company profits.

■ **Degussa** of West Germany said it would sell its 35 per cent stake in nuclear technology company Nukem to utility Rheinisch-Westfaelische Elektrizitaetswerk F (RWE). The acquisition will raise RWE's stake in Nukem to 90 per cent, Degussa said. It gave no financial details.

■ **Gerling**, the West German insurer, said it expected 1990 premium income growth to exceed 4 per cent "mainly through growth in premiums from the medium-sized business." Premium income for the group is expected to rise by about 6.6 per cent to DM8.1bn this year from DM7.6bn in 1989. Distributable profit dropped 38 per cent to DM17.6m in 1989 from DM28.4m in the year before as a result of an increase in costs.

■ **Krupp Stahl**, the steel unit of Fried. Krupp, said it would reconsider the decision to close the Rheinhausen steel plant if the company reached final agreement with East Germany to find a market for products from the plant in co-operation with the East German steel industry. Mr Juergen Harnisch, management board chairman, said initial agreements had been signed and he hoped to complete these over the next few weeks.

■ **Kvaerner**, the Norwegian engineering group, said it expected higher profits in 1990 than in 1989 after reporting a sharp rise in earnings for the first four months. Profit before extraordinary items rose to NKr295m (US$45m) from NKr137m in the same period last year. Kvaerner gave no reasons for its projected higher profits, but has won a series of big engineering contracts in recent months.

■ **Tampella**, the Finnish forest industry and engineering group, made a pre-tax loss of FM4m in the first four months of 1990 and said the weak result would affect its overall performance this year. It made a pre-tax profit of FM153m in the first four months of 1989.

● Kymmene is a Finnish forest products company, not Swedish as stated in the Financial Times yesterday.

EC property group set up

SCOTTISH LIFE, the mutual life assurance company, and seven other major European insurance and finance companies are to set up a European real estate investment company called Europroperty, writes Patrick Cockburn.

The company, with an initial capital of Ecu200m ($244m), will invest in commercial properties in the countries of the eight EC founding members. They will act as advisers and property managers in their local markets.

In addition to the Edinburgh-based Scottish Life, the other seven companies are Banque Indosuez (France), AG (Belgium), Baltica (Denmark), Colonia (West Germany), Toro (Italy), Victoire (France) and Vallehermoso-Banco Hispano-Americano (Spain).

Scottish Life says the initial Ecu50m in capital will be invested by the eight companies, and the rest by a few institutional investors. It says the advantage of organising a pan-European property investment company in this way is that it will benefit from the local knowledge of its founding members in each local market.

Dutch insurers may link

NATIONALE-Nederlanden and Aegon, two of the big three Dutch insurers, say they are studying a combination of their Dutch health insurance businesses, Reuter reports.

Aegon said the intended co-operation pact was open to other insurance companies as well.

"This plan is based both on cost considerations as well as the current political debate about health insurance in the Netherlands," the insurer said.

Despite their size, Nationale-Nederlanden and Aegon each holds only 5 per cent of the health insurance market, Aegon said.

"The increasing importance of costs and claim control, for which a larger scale offers a better starting point, as well as developments concerning the structure and financing of health care, make a re-orientation of the place and role of the health insurance business desirable," the companies said.

The study is expected to be completed at the end of the summer.

McDonnell Douglas axes jobs in face of cost crisis

By Roderick Oram in New York

MCDONNELL DOUGLAS said it was planning extensive job and cost cuts because it faced "potentially serious cost problems" on fixed-price aircraft development contracts with the Pentagon.

It said savings from its previously announced 4,000-job reduction of its workforce at its airliner plant in California would contribute towards the new goal of trimming $700m from its annual budgets, but further measures were needed.

Analysts estimated it might need to eliminate some 10,000 jobs from its 127,000-strong payroll in California and in St Louis, Missouri, where it makes military aircraft.

The company, the largest US military contractor, has a number of fixed-price contracts to develop aircraft including the A-12 attack jet, the T-45 trainer and the C-17 transport aircraft.

Several of the programmes are behind schedule and the company has already taken some write-offs, such as a $72m charge last year for cost overruns on the C-17. The large cargo aircraft is also being scrutinised by Congress as a candidate for defence budget cuts.

In a memo entitled "The Hard Reality" and addressed "to all team-mates" Mr John McDonnell, chairman, also pointed out to the workforce the challenges the company faced in its airliner business.

Despite heavy debts, it will have to invest another $2bn this year in its MD-11 airliner programme. The first aircraft, derived from the company's DC-10 airliner, is undergoing flight tests.

Moreover, delivery rates and costs "are not yet satisfactory" on its well-established MD-80 programme.

Despite extensive reorganisation of its California airliner operations over the past 18 months, McDonnell Douglas still has a long way to go to meet brisk demand for the aircraft in a timely and profitable manner.

Burdened by write-offs last year for military and civilian programmes, the company reported a net loss of $39m on sales of $14.59bn. Based on last year's results, cost cuts of $700m would amount to a saving of about 5 per cent.

Shell breached disclosure law

By Karen Zagor in New York

SHELL PETROLEUM, a unit of Royal Dutch/Shell Transport group, has been charged with violating Delaware disclosure laws when Royal Dutch acquired the 30 per cent of Shell Oil it did not already own for $60-a-share in 1985.

In the ruling, Judge Maurice Hartnett found that Royal Dutch/Shell had failed to disclose that it held $1bn in oil and gas reserves in the proxy materials sent to its shareholders.

When Royal Dutch acquired the 15m shares in 1985, the $60 price included $2-a-share for which the shareholders waived their right to have the shares appraised.

Although Judge Hartnett acknowledged that the inadequate disclosure was a result of a mistake in calculation, he said it still breached disclosure requirements.

He added that the information was important enough that some holders might have had their shares appraised instead of tendering them to Royal Dutch.

Judge Hartnett did not rule on damages to be awarded to the former shareholders.

That will be determined in a separate hearing to come.

Another group of Shell Oil shareholders, who did not tender their 1m shares, have filed a separate suit against Shell.

They argue that their shares are worth between $89 and $109 apiece.

Liggett Group to split business

By Karen Zagor

LIGGETT Group, the US tobacco company whose brands include Chesterfield, L&M, Lark and Eve cigarettes, yesterday said it plans to change its name to Brooke Group and to divide its current businesses into two separate tobacco and marketing subsidiaries.

Mr Bennett LeBow, the New York investor who bought Liggett for $137m from the UK's Grand Metropolitan in 1986, said the restructuring move would allow the company to move into areas unrelated to its current businesses. Mr LeBow has been elected chairman of Liggett Group. Liggett's president and chief executive, Mr Dey, will retire at the end of June.

Shares in Liggett gained $⅝ to $11¾ at midday yesterday on the New York Stock Exchange. The company said it might buy back up to 1m shares.

The company's tobacco business, Liggett & Myers Tobacco, will take on the Liggett Group name and will be headed by Mr James Turner who has been with the company since 1957.

Impel Marketing, a sales and marketing organisation, plans to broaden the scope of sports and entertainment, and will have its headquarters in the Durham area. Mr Harold Grant will be president and chief executive of Impel.

Liggett, which last year had sales of $501m, is one of the smaller players in the $35bn tobacco industry. The company controlled more than 20 per cent of the market in 1947, but it has never recovered from its miscalculation of the popularity of full-length filter cigarettes.

By 1980, Liggett's market share was only 2 per cent, and the company introduced generic cigarettes, sold in black and white packs for about 35 per cent less than standard cigarettes, in an attempt to survive.

As a result, Liggett's market share more than doubled in over three years. But in 1984, Brown & Williamson, a subsidiary of BAT Industries of the UK and the third biggest US cigarette maker, moved into the generic cigarette market and offered wholesalers big rebates if they would buy from B&W instead of Liggett.

Liggett took B&W to court over its tactics, and in March, B&W was ordered to pay Liggett $49.6m for predatory pricing, a violation of an anti-trust law. The amount automatically tripled, under the law, to $148.8m.

Chairman of Chase quits before shake-up

By Alan Friedman in New York

MR Willard Butcher, chairman and chief executive of Chase Manhattan, the second biggest US commercial banking group, is resigning earlier than planned to make way for a radical shake-up at the bank. He will be succeeded in both slots by Mr Thomas Labrecque, the 52-year-old president of the bank who has come up through the Treasury side of Chase. The new president and chief operating officer is the present vice chairman Mr Arthur Ryan, aged 47, who has spearheaded the bank's push into retail banking.

Mr Butcher explained why he was stepping down, effective October 31. "We've had significantly reduced corporate finance earnings and we have some real estate problems. We are going to reorganise the bank and before moving ahead with major organisational change we wanted to take care of the succession issue."

The surprise management change – the 63-year-old Mr Butcher was to have retired as chief executive at the end of this year and as chairman in October 1991 – comes days after Chase conceded that high overheads and weak demand for its corporate lending services would result in a significant restructuring.

The change calls for the sale of Chase's operational headquarters in Manhattan, properties in Europe and possible job cuts of up to 3,000 people. Chase suffered a 67 per cent fall in net profits in this year's first quarter, after a $665m loss in 1989 that was attributed to increased Third World debt provisions and restructurings of Chase businesses in London and Arizona.

Mr Labrecque said one of the new priorities at the bank would be "to continue to grow our retail banking," which last year accounted for about 40 per cent of basic earnings and will this year represent closer to 50 per cent of profits, due to the downturn on the corporate side.

Minorco takes full ownership of Big Springs

By Kenneth Gooding, Mining Correspondent

MINORCO, the South African-controlled natural resources group, has increased its gold interests in the US by acquiring the 40 per cent it does not own in the Big Springs mine in Nevada for US$6m.

The company's newly-formed subsidiary, Independence Mining, set up after Minorco paid a net $690m for Freeport McMoRan Gold, bought the outstanding interest in Big Springs from Bull Run Gold Mines.

Big Springs is forecast to produce about 38,000 troy ounces of gold this year. The purchase agreement also calls for Independence to "forgive" $2.3m in Bull Run payments and grant Bull Run royalty payments.

The Freeport acquisition also gave Minorco 70 per cent of the Jerritt Canyon mine but Minorco said it was not negotiating to buy the outstanding 30 per cent from FMC gold.

US group buys Guyana stake

By Canute James in Kingston

ATLANTIC Tele Network of the US Virgin Islands has bought an 80 per cent interest in the state-owned Guyana Telecommunications Corporation, following a Guyana government decision to divest several state enterprises.

The company paid $16.5m to the Government, which will maintain a 20 per cent interest in the company, renamed Guyana Telephone and Telegraph. Atlantic Tele Network will spend $80m over five years to improve the telecommunications infrastructure. The number of lines will be increased to 62,000 within three years.

Travelers sheds agents in overhaul of business

TRAVELERS Corporation is leaving the automobile and homeowners' insurance markets in nine states, has trimmed its agency force and overhauled its agent commission schedule as part of a revision of its personal lines business, Reuter reports.

Travelers is one of the largest US stock insurance companies. It said the actions were part of a plan to make its personal lines operations more competitive and to focus resources on markets where there was the greatest potential for long-term growth and profitability.

Travelers said it had informed the insurance departments in South Carolina, North Dakota, South Dakota, Wyoming, West Virginia, Nevada, Idaho, Arkansas and Oklahoma and that it would work with these departments to ensure an orderly withdrawal.

During the transition, Travelers said it would make every effort to minimise disruption to customers and agents.

The Connecticut-based company, which also provides financial and healthcare services, will continue to offer home and car insurance in other states where it sees the opportunity for long-term growth and profitability.

Pezim key figure in Stikine battle

By Robert Gibbens in Montreal

MR MURRAY PEZIM, the Vancouver stock promoter, may yet play a key role in the fight for Stikine Resources, owner of half the Eskay Creek gold property in north-west British Columbia.

Placer Dome, North America's biggest gold producer, now has 45 per cent of Stikine's shares, and has extended its C$67.50 a share offer to July 4.

Its opponent, Corona Corporation, the Toronto gold producer, has fallen out with Mr Pezim. Corona has offered shares worth $65 to $70 per Stikine share, after a corporate restructuring. It would merge Stikine into a new holding company, Corona Gold.

It also wants to raise its stake in Prime Resources, controlled by Mr Pezim and associates, from 20 per cent to 45 per cent. Prime, in turn, owns the other half of Eskay Creek.

But Mr Pezim did not deliver the extra 25 per cent of Prime to Corona last Friday, as arranged. Now he wants to renegotiate the deal at a higher price.

Analysts believe Mr Pezim has opened the way for a Placer bid for Prime Resources, which also owns 40 per cent of a nearby gold property and interests in many properties in the Eskay area.

Placer was not saying anything but Corona chairman Mr Ned Goodman was clearly disappointed by Mr Pezim's move.

CanPac unit in US acquisition

CANADIAN Pacific Hotels, wholly owned by Canadian Pacific Ltd, is buying 80 per cent of Methotels, of Phoenix, Arizona, from Metropolitan Ice Insurance Company, New York, writes Robert Gibbens in Montreal.

Methotels owns the Double Tree and Compri chains, which have 63 hotels in 21 states.

CP Hotels, now Canada's largest hotel group, has been restructured. It will have 28,000 rooms in North America.

RJR equity injection plan lifts junk bonds

By Roderick Oram in New York

RJR NABISCO, the food and tobacco group taken private last year in a $25bn record-breaking buy-out, said it planned to inject fresh equity into its balance sheet and to lighten its heavy load of junk bonds. Wall Street is expecting the package to be worth about $5.5bn.

The news was well received by the junk bond market which had been bothered by some of RJR's bonds, particularly two issues which have performed poorly because of their structure. With RJR willing to address these concerns, "people are looking at the high yield market more positively," one junk bond analyst said. Prices of RJR's junk bonds soared on the news.

The announcement outlined three sources of funds RJR was pursuing. First, Kohlberg Kravis Roberts, RJR's majority owner as a result of the buy-out, would contribute a further $1.7bn of equity into the company under certain conditions.

Second, RJR said it was talking with its banks about borrowing more money to refinance some increasing rate notes and some existing bank debt. It also wanted to change bank credit agreements "to permit the repurchase of a significant amount" of securities which had financed the buy-out. Third, it might swap some existing payment-in-kind securities which pay interest in the form of additional bonds for cash and for new preferred stock paying cash dividends and convertible into RJR common.

The junk bond market was growing increasingly unhappy about the payment-in-kind securities, preferring those that paid cash. Investors reckon that RJR can afford to pay more cash interest now rather than face a greater liability later from the payment-in-kind securities.

The two issues carry an additional liability in that RJR has to reset their coupons by next April to a level that boosted their prices back to their original issue level. At the depressed prices the 14.07 per cent debentures had been trading, RJR would have had to reset them at a coupon of at least 18 or 19 per cent, further straining its finances.

RJR said KKR would contribute its fresh equity if the coupons could be reset at a satisfactory level. In essence, KKR is asking the markets to reciprocate by showing faith in RJR and the impending financial package by bidding up the price of the bonds to make an acceptable reset possible.

RJR gave no details of the plan, saying only it hoped to begin implementing it by the end of July. But reports suggested, however, that it was seeking about $2.25bn in new bank loans and about $1.5bn through the preferred stock issue, on top of KKR's $1.7bn contribution.

Brazilian losses hit Kanebo profits

By Alice Rawsthorn

KANEBO, the Japanese company which is the world's largest textile group, suffered a sharp fall in consolidated pre-tax profits from Y20.7bn ($134.4m) to Y13.4bn in the year ended March 31, chiefly due to heavy losses at its Brazilian cotton company.

The Brazilian business, hit by high domestic inflation and the downturn in demand for cotton yarn in Japan, made a net loss of Y2.4bn compared with profits of Y200m in the previous year.

The business also suffered from surging production and labour costs in Brazil.

Kanebo experienced an even more dramatic fall in net profits to Y1.23bn from Y4.38bn, on turnover which rose modestly to Y656.1bn from Y643.3bn. The group's operating profits fell to Y31.6bn from Y46.2bn and earnings per share tumbled to Y2.47 from Y9.05.

Kanebo, one the oldest textile companies in Japan, also suffered from the poor performance of its other textile interests. Its textile turnover fell to Y313bn from Y321bn, just less than 48 per cent of total turnover. The textile companies were affected by the combination of higher raw material prices and weak demand for finished products.

The Japanese textile industry has just returned to stability after its problems in the early 1980s, when cheap imports from other Asian countries flooded into Japan. Kanebo fell into losses at the beginning of the 1980s, but recovered after radical rationalisation.

Its cost cutting was concentrated in the commodity areas of production, where it was most exposed to import competition. Kanebo has since increased its involvement with more upmarket products, such as its Japanese license for Christian Dior.

Kanebo is also a leading player in cosmetics. Turnover from cosmetics helped to compensate for the fall in textiles by rising to Y191bn from Y184bn, representing 29 per cent of overall sales.

In Tokyo yesterday Kanebo said it expected group net profit to increase from Y1.23bn to Y2bn and earnings per share to rise to Y4.03 from Y2.47 in the current year.

Anglovaal forms life company

By Philip Gawith in Johannesburg

A LARGE new life insurance company, Anglovaal Insurance Holdings, has been formed in the Anglovaal group. It will have as its subsidiaries AA Life and Crusader Life (Crulife).

Anglovaal last year acquired a 41.4 per cent interest in the AA Life group and this latest transaction is further evidence of its desire to expand in the insurance field. Assets under administration in the new group total nearly R500m ($109m) which will make it one of the 10 top life offices in the country. Dr Brian Benfield, chief executive of AA Life, will be the managing director of AvIns.

The rationale for the move was the realisation by Cruhold and Crulife that further funds would be needed for expansion and it would be better to reach agreement with a suitable controlling shareholder now, rather than face vulnerability in the future.

The agreement also ensures that both AA Life and Crulife will continue to operate independently to develop their respective market shares. This approach is seen as capitalising on respective strengths without undergoing the trauma of a takeover or merger situation.

To establish the new life group, Cruhold is to acquire the AA Life Group's interest of 95 per cent in AA Life Assurance Association for approximately R154.8m, in exchange for the issue and allotment of approximately 123.8m Cruhold ordinary shares at 125 cents per share.

To reflect Anglovaal's 41.4 per cent interest in the AA Life Group, Cruhold is being renamed Anglovaal Insurance Holdings (AvIns). The AA Life Group will be renamed the AvF group with AvIns becoming its subsidiary. AA Life and Crulife will, in turn, be AvIns's subsidiaries.

The new group expects to achieve substantial savings in administrative overheads by forming a company to provide administrative services.

AVF, AvIns and Crulife will be listed. The move is subject to confirmation by various regulatory authorities.

Amax to shed 80 jobs by year-end

AMAX, the US natural resources producer, said it planned to cut about 40 per cent, or 80 jobs, from its total workforce of 200 by the end of the year, continuing the decentralisation and consolidation of its corporate structure, AP-DJ reports from New York.

The company, which has interests in domestic energy and gold production as well as aluminium and manufactured aluminium products, plans to close its Greenwich, Connecticut, office by the year-end. Amax moved its executive offices from Greenwich to New York in 1988, and moved other jobs there earlier this year.

An Amax official said that some Greenwich employees would be transferred to New York. Some functions would be assigned to operating units and some jobs would be eliminated.

The official said the company expected some cost savings from the lay-offs, but he gave no estimates. He said he believed the appropriate write-offs would be taken this year.

Amax, which had 20,000 employees at the end of 1989, had a 56 per cent drop in first-quarter net income to $50m or 57 cents a share from a year earlier, a result of a softening economy and sharply lower aluminium prices. Sales fell 5.3 per cent to $927.9m.

Aberfoyle 250% rise lifts sector

By Bruce Jacques in Sydney

ABERFOYLE, the Melbourne base metals producer, has given a rosy preview of the approaching June 30 profit season for the Australian mining sector with a strong interim earnings boost.

The company, whose operations are centred on Tasmania, lifted net profit for the May half by more than 250 per cent from A$5.55m to A$19.78m (US$15.6m) on sales doubled from A$42.6m to A$89m.

The performance reflected the scaling-up of the Hellyer base metals deposit, commissioned in March last year.

The operation, one of the few world class base metals mines to proceed in Australia in the past decade, lifted its pre-tax contribution to Aberfoyle's earnings from A$2.5m to A$26.6m.

Hellyer's commissioning was sweetly timed to catch an upswing in base metal prices, and its earnings contribution would have been higher but for metallurgical problems.

Higher metal prices benefited all Aberfoyle's operations, including the Que River and Bardoc mines. The directors forecast "satisfactory" profitability for the second half, but warned that earnings hinged on Hellyer's performance.

The latest result was after deducting tax of A$12.09m, against A$5.24m previously, and interest expense of A$3.88m against A$1.29m. Exploration write-offs rose from A$4.25m to A$4.98m.

● Elders Resources raised its takeover offer for Oakbridge to 90 Australian cents a share from 80 cents and won acceptance for the bid from Oakbridge directors, AP-DJ reports from Melbourne.

The revised offer values all of Oakbridge at about A$290m. It comprises an unconditional 86 cents a share, plus 4 cents to be paid later if Elders gets at least 90 per cent of the coal-mining concern's stock from 75 per cent of shareholders so that it can compulsorily acquire the rest under Australian laws.

Elders Resources, which already owns 72.8 per cent of the ordinary, or common, shares of Oakbridge, in turn is 43 per cent owned by Elders IXL, the brewing, resources, financial-services and agribusiness conglomerate that plans to sell most assets and become a single-purpose brewing company.

Ashland Oil set for record

ASHLAND OIL, a leading US independent petroleum refiner, expects record third-quarter earnings as well as record operating income from Ashland Petroleum, Reuter reports.

The company said it expected earnings in the current quarter (to end-June) "to exceed by a comfortable margin the prior third-quarter record of $82m or $1.21 per share, earned in June 1986."

In last year's June quarter the company earned $43.5m or 78 cents a share.

The company said it expects operating income of Ashland Petroleum, its refining and marketing division, to exceed the previous third-quarter record of $110m set in 1986.

Ashland Petroleum's 1989 third-quarter operating income was $53m.

Oil and gas merger proposed

OLYMPIA & York Developments, the Canadian holding group, has made a proposal to the boards of Interhome Energy and Gulf Canada Resources in which Gulf would merge with Home Oil, an Interhome unit, AP-DJ reports from Toronto.

The O&Y plan also calls for the separation of Interhome's oil and gas business and pipeline business.

Interhome and Gulf's boards have authorised their respective special committees to consider terms of the proposed plan of arrangement.

If the proposal is implemented, Interhome shareholders will be provided with direct ownership of Interhome's oil and gas business through direct ownership of the merged oil and gas company and retain direct ownership of Interhome's pipeline business. Gulf Canada shareholders will have direct ownership in the merged oil and gas company.

Holders of Interhome and Gulf common shares would be entitled to voting shares of the merged oil and gas company based on share exchange ratios yet to be determined.

O&Y has proposed that special committees of Interhome and Gulf negotiate terms of the proposed merger, including share exchange ratios.

Holders of Gulf Canada preferred shares would be entitled to the same number of shares of the merged oil and gas company with the same attributes as Gulf's preferred shares currently held.

INTERNATIONAL CAPITAL MARKETS

Treasuries unsettled by upward revision of GNP

By **Janet Bush** in New York and **Deborah Hargreaves** in London

US Treasury bonds slipped from slightly higher levels in overseas trading after a sharp upward revision in first-quarter US gross national product. This appeared to undermine even further those who believe that the Federal Reserve will lower interest rates to boost growth.

However, the negative reaction was very modest and trading was quiet.

At midsession, the Treasury's benchmark long bond was quoted ¼ point lower for a yield of 8.52 per cent. The resilience of the market should be seen in the context of Wednesday's sharp drop in prices.

First-quarter GNP was revised upwards to a gain of 1.9 per cent from 1.3 per cent previously reported. Net exports were revised up, and partially offset by a fall in personal consumption.

The accompanying inflation indicators were more encouraging and served to balance

GOVERNMENT BONDS

the upward revision in the growth figure. The implicit price deflator was revised to a gain of 5.4 per cent from a rate of 5.7 per cent previously reported and the fixed-weight index was revised to 6.4 per cent from 6.7 per cent estimated earlier.

The bond market has been on the defensive this week because of approaching new supply. The Treasury is set to auction a record $11.25bn in two-year notes next week, which compares with the last two-year sale of $10.75bn.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-13	+2/32	[illegible]	[illegible]	[illegible]
		10.500	5/70	93-27	+6/32	[illegible]	[illegible]	[illegible]
		9.000	10/08	85-29	+4/32	[illegible]	[illegible]	[illegible]
US TREASURY *		8.875	05/00	102-06		8.54	8.40	[illegible]
		8.750	05/20	102-16	+1/32	8.52	8.39	[illegible]
JAPAN	No 119	4.800	6/99	97.1287	-0.169	[illegible]	6.99	[illegible]
	No 2	5.700	3/07	92.3340	-0.072	[illegible]	5.43	6.85
GERMANY		7.750	02/00	92.8720	-0.100	8.85	8.74	[illegible]
FRANCE	BTAN	9.000	02/95	95.9520	+0.035	10.10	[illegible]	9.96
	OAT	8.500	03/00	92.3430	+0.025	9.74	[illegible]	[illegible]
CANADA *		9.750	05/00	93.1070	-0.150	10.31	10.81	[illegible]
NETHERLANDS		9.000	05/00	100.1900	-0.120	8.97	8.96	5.96
AUSTRALIA		12.000	7/99	92.0047	+0.049	13.55	13.54	13.52

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds, others in decimal
Technical Data/ATLAS Price Sources

■ THE West German bond market remains in disarray over rumours about new issues. Trading was extremely quiet yesterday with the market dominated by technical issues and a small amount of domestic participation.

It now appears that the first issue of bonds to finance German unification will be launched to coincide with monetary union at the beginning of July. In addition, the next federal bond will probably be issued in September.

The London International Financial Futures Exchange (Liffe) has deferred listing its March 1991 bund futures contract in a bid to determine whether unity bonds will be eligible for delivery against the contract. Liffe is trying to discover the similarity unity bonds will bear to federal bunds – the terms of the issues, market reaction and the name of the bonds.

The uncertainty surrounding unity bonds has kept some foreign investors from the German market, but other domestic retail clients are taking a very short-term view and buying Bunds. German banks took up a good part of the futures business yesterday as they sold swaps and bought Bund futures.

■ IN London, prices for gilt-edged securities wavered as the market digested the speech by Mr John Major, the UK Chancellor, on European economic monetary union.

Initially, traders were disappointed that his speech on Wednesday made little reference to the UK's membership of the exchange rate mechanism. Prices oscillated before closing a few ticks lower than Wednesday's close.

A benchmark 11¾ per cent bond maturing in 2003/07 closed at 102[illegible], offering a yield of 11.32 per cent, as the market remained exceptionally quiet.

Chile telecom company to issue ADRs

COMPANIA de Telefonos de Chile (CTC) is set to become the first South American company to be listed on the New York Stock Exchange in 27 years when it issues $110m worth of American depositary receipts (ADRs) next month, Reuter reports.

The listing of level three ADRs will be underwritten by a syndicate led by Salomon Brothers and co-managed by the World Bank's International Finance Corporation. The IFC will underwrite 20 per cent of the issue. CTC, which is 40 per cent owned by Telefonica Internaçional de Espana, made a profit of $95.6m last year. Its registration statement is under consideration by the Securities and Exchange Commission.

"The talks on our application are going very satisfactorily and we expect to launch the issue at the beginning of July," CTC said. The shares will be offered concurrently in the US and Europe, but traded on the NYSE. Chile's Central Bank has authorised Chilean companies to operate with ADRs and is now drafting foreign exchange regulations allowing them to move dollars in and out of the country through the currency market.

The issue is aimed at financing a five-year investment plan which is due to cost $1.3bn. CTC plans to double Chile's 600,000 telephone lines and expand its facsimile, cellular and data transmission services.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.15 pm on June 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	98⅝	99	-⅛	9.44
ALBERTA PROVINCE 9 3/8 95	600	100⅜	101	-⅛	9.17
AMERICAN GENERAL 9 3/4 95	100	97⅞	98⅝	-½	10.44
AUSTRALIA 11 1/4 00	100	107⅝	108⅝	-⅝	10.00
AUSTRIA 8 1/2 00	400	94⅞	95¼	-⅛	9.32
BANK OF TOKYO 8 3/8 96	100	95	95½	-⅛	9.53
BELGIUM 9 1/8 92	400	100⅛	100½		9.02
BFCE 7 3/4 97	150	92⅜	92⅞	-⅛	9.29
BNP 8 5/8 94	300	97⅞	98⅜	-⅛	9.26
BP CAPITAL 9 5/8 93	150	100	101	-⅛	9.58
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91½	92½	[illegible]	9.75
KREDIETCORP 7 93 LFr	1000	92¾	93¾	[illegible]	9.73
WORLD BANK 8 96 LFr	2000	93	94		9.62
ABN AMRO BANK 6 1/4 92 Fl	150	94	94½		9.42
DENMARK 8 1/2 91 Fl	100	99	99½		9.67
HEINEKEN 7 5/8 94 Fl	150	95½	96⅛		9.00
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94	94½		9.64
RABOBANK 5 3/4 93 Fl	150	91½	92¼	[illegible]	9.45
WORLD BANK 6 1/4 91 Fl	100	97½	98¼	[illegible]	9.36
ALBERTA PROVINCE 10 92 C$	500	95	95½		12.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 5 1/2 00	100	88½	90		7.09
EIB 5 3/4 93	100	97½	98¼	-⅛	6.59
FINLAND 5 3/8 95	150	93¼	94		6.80
JAPAN DEV BK 5 1/2 94	100	96	97	+½	6.76
MOUNT ISA FINANCE 5 3/4 94	100	90		+½	8.90
NEW ZEALAND 4 7/8 99	200	86	86½	+½	7.09
POLLY PECK INTL FIN 6 1/4 96	100	84	85	+1	10.06
QUEBEC HYDRO 5 08	100	79	80	-½	7.12
SKANDINAVISKA ENSK 6 1/2 95	100	97¼	99		7.08
WORLD BANK 6 1/4 92	100	98¼	99½	-¼	7.07
WORLD BANK 7 1/4 92	100	100½	101		6.97

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	92⅛	93	-⅛	7.11
CANADA 4 3/8 92	80000	95⅛	95⅝	-⅛	7.06
CREDIT FONCIER 5 1/4 94	20000	92⅛	93⅛	-⅛	7.18
DENMARK 7 95	40000	99⅞	100⅛	-⅛	7.02
EIB 4 5/8 94	40000	92	92⅛	-⅛	7.05
FNMA 6 7/8 92	50000	99⅞	100⅛	-⅛	7.01
GENERAL ELECTRIC 5 3/4 93	35000	96⅛	96⅝	+⅛	7.27
ITALY 5 3/4 92	150000	97⅞	98⅛	-⅛	7.12
KANSAI ELEC PWR 4 5/8 94	60000	91⅛	91⅝	-⅛	7.34
NIPPON TEL & TEL 5 7/8 96	50000	94⅞	95⅛	-⅛	6.90
NORWAY 5 1/8 95	50000	92⅝	92⅞	-⅛	6.98
SWEDEN 5 5/8 95	20000	93⅞	94⅛	-⅛	7.05
WORLD BANK 6 3/4 00	50000	99	99¼	-½	6.89

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WELLS FARGO 1/16 94	150	98.06	98.56	8.3750

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	100¾	161⅛	+24.63
ASDA-MFI 4 3/4 02 £	100	1.64	105¼	106¼	+49.92
BURTON GROUP 4 3/4 01 £	110	3.15	107¼	108⅞	
EASTMAN KODAK 6 3/8 01	300	50.67	95⅞	96⅝	-17.97
GOODYEAR TIRE 6 7/8 03	150	80¼	75⅛	76	+79.29
GRACE (WR) 6 1/4 02	150	42⅛	85	85⅞	+21.89
GRAND MET 6 1/4 02 £	100	6.58	104⅞	105⅞	+3.77
HAWLEY 6 02 PREF	400	1.91	111⅛	112⅛	+6.76
HILLSDOWN 4 1/2 02 £	150	4.16	98	99⅛	+46.65
INTL PAPER 5 3/4 02	200	68⅛	89½	90⅞	+15.95
LAND SECS 6 3/4 02 £	84	6.72	82⅞	83⅞	+10.44
METAL BOX 5 3/4 02 £	65	1.93	111⅞	113⅛	-2.63
MITSUBISHI BK 1 3/4 02	300	2727.1	89½	91¼	+0.41
OGDEN 6 02	85	39.077	85¼	86⅛	+25.12
PACIFIC DUNLOP 6 3/4 97	75	3.749	106½	107½	-1.91
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76⅝	77⅛	+60.77
THORN EMI 5 3/4 04 £	103	7.45	106½	107½	-3.18

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

NASD may introduce 'one share, one vote'

By **Roderick Oram** in New York

THE National Association of Securities Dealers is considering introducing a "one share, one vote" rule to prevent companies listed on its over-the-counter market from disenfranchising their existing shareholders.

The rule, to be considered by the association's advisory and governing boards next month, would seek to enforce the same standards that the Securities and Exchange Commission had been trying to lay down.

The SEC, along with many other securities industry organisations, wants to prevent companies from adding classes of shares with voting rights inferior to those of its existing shares. The agency accepts differing voting rights in an initial public offering where investors understand from the outset the unequal voting power. Also, it would not force changes in the existing unequal voting structures of some 350 companies, half of which are listed on the NASD's automated NASDAQ system.

But the SEC's two-year-old rule on the subject, 19c4, was overturned last week by a federal appeals court which judged that the agency had over-stepped its authority. The SEC said it had yet to decide whether to take the issue further in court.

The SEC's rule "seems to have worked reasonably well," said Mr Grant Callery, NASD's deputy general counsel. It was close to proposals NASD made in 1987 to "prevent disenfranchisement of existing shareholders," but stopping short of telling companies what their capital structure should be.

A new NASD rule would preserve the distinction and would apply only to those companies seeking to introduce a new class of share to the detriment of existing shareholders.

Hong Kong to recruit investors

HONG Kong's Stock Exchange is planning a drive to recruit investors following a survey showing that only 9 per cent of the colony's adult population put money into local equities, Reuter reports.

Mr Francis Yeung, chief executive of the exchange, said as he unveiled the privately commissioned survey that the exchange was studying ways of simplifying the procedure for buying and selling shares, and would stage a series of roadshows.

● The Hong Kong Futures Exchange expects to introduce stock options before next June. It plans to start trading options before the HKSE, which is scheduled to introduce options around June next year.

The futures exchange has approved a plan to issue new shares. It has an authorised capital of 692 shares and 193 have been issued so far.

Taiwan Forex turnover at peak

By **Peter Wickenden** in Taipei

TURNOVER on Taiwan's foreign exchange market broke records for the second day running as speculative buying of US dollars reached a frenzy. Turnover, which hit $565m on Wednesday, surged to $748.5m yesterday. Dealers said a large proportion of the US dollar buying was by small individual investors shifting their attention from the stock market.

Since January the Taiwan dollar has depreciated nearly 5 per cent. The Central Bank, concerned that currency weakness will increase inflation, continues to sell US dollars in an effort to support the local currency.

Malta may set up stock market

MR George Bonello Du Puis, the Maltese Finance Minister, said yesterday that he hoped parliament would shortly approve a Bill to set up a stock market in Malta, Reuter reports.

He said the draft Bill had been prepared by a committee headed by the governor of Malta's central bank and representatives of financial institutions in various countries. He hoped for parliamentary approval before the end of July.

He said the exchange was an essential part of reforms aimed at bringing Malta closer to the European Community.

Malta is expected to apply for EC membership next month.

Japanese equity warrants given chance of a second wind

Andrew Freeman looks ahead to a new issue revival and speculates on hopes for a more orderly market this time round

The market for Japanese equity warrants is on the way back. Unless there is a further setback on the Tokyo stock market, the first new issue since mid-March should be launched on July 6 by Nomura Securities for Daikyo, a property company specialising in high-rise apartment developments.

It will be followed by a series of further deals as the issuing machine which pumped out $63bn of paper last year swings back into action.

Equity warrants are instruments giving investors the right to buy a fixed number of shares in the issuing company at a set price.

Most are issued attached to dollar-denominated Eurobonds and are then split off and traded separately. They are attractive because they allow a cheap way of speculating on the performance of an equity.

The news of the market's re-opening offers precious relief to a host of securities houses in the Eurobond market. Since the closure of equity warrant business in March, forced by the sudden collapse of the Tokyo stock market, there has been a severe profits squeeze.

Houses which last year relied on small participations in warrant deals for the bulk of their revenues have found their fixed overheads ever harder to sustain during the market's absence. The resumption of the profits stream will be a lifeline.

However, leading players in the market are more concerned about an orderly return to business rather than the profitability of their rivals. Discussions between the big four Japanese houses – Nomura, Nikko, Yamaichi, and Daiwa – over the terms at which borrowers should tap the market are said to have been heated.

Although there is no official agreement between the houses, they have decided that a general policy of restraint is in their collective interests. Whether this voluntary code will outlast the huge demand expected for the first few issues remains to be seen.

The calendar for new deals already looks busy. Nomura is thought to be planning $1.5bn of issues in July and the other houses are likely to be close behind.

It appears that the big four have largely stuck to a moderate issue size, with the ceiling set at about $300m.

An early deal for Sumitomo Metal Industries via Nikko Securities is expected to be $320m, but most deals will be $250m or $300m.

It is unlikely there will be any small deals. Investor demand in Tokyo is said to be mainly for issues with above-average price volatility, ruling out both small and jumbo deals, prices of which tend to move more slowly.

Syndicate officials say it is too early to indicate possible coupon levels, but the broad parameters of issue terms can be laid out. The first wave of deals will carry implied warrant prices of about 15 per cent to the par issue price of the bonds with warrants.

Premiums – a measure of the extra cost of acquiring warrants for immediate exercise into shares over buying the shares directly – will be about 17 per cent, while the typical gearing ratio, a measure of the warrants' equity exposure, will be about 5.5 times.

New issue traders are in no doubt that these deals will be priced to sell. "If they come at their indicated terms, they'll fly out of the window," said one trader.

This cynicism is tempered by fears that there might be a flood of paper on top of a successful re-opening of the market. There is already talk of more than $8bn of issuance in August.

Dealers are concerned that the return to health of the primary market will be at the expense of a secondary market which has had more than its share of turbulence in recent months.

Secondary market warrant prices collapsed in March and early April. At one point, Baring Securities' dollar warrant index had declined to well below half its level prior to the equity market crash in March.

However, most players in the market say that the collapse was orderly and that market-makers largely survived intact. Only a few are thought to have suffered serious losses caused more by their hesitancy to take short positions than by the market movement as such.

From their lows, warrant prices have recovered nearly half their losses. The improvement was helped by greater activity from Japan's small and medium-sized securities houses which were looking to supplement their straight equity trading activities.

As prices bottomed out, retail investors in Japan entered the market to pick up cheap warrants, despite premiums having widened sharply.

For analysts, this was a sign that investor understanding of the price behaviour of warrants was becoming more sophisticated – in the past, warrants with high premiums were often incorrectly judged as unattractive.

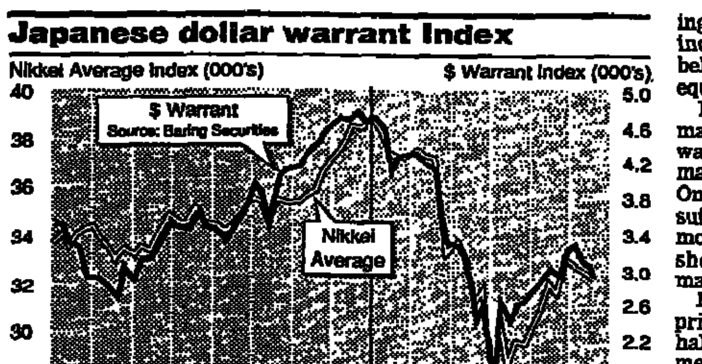
But the danger remains that cheap issues of new warrants will serve further to depress prices of outstanding warrants for the same borrower. For example, Daikyo, likely to be the first to tap the market next month, already has outstanding warrants, as do many of the names mentioned in the calendar.

"It's nearly the same as the outlook we faced two years ago," said one syndicate official. "But given the pent-up demand for paper, it is likely that new warrants will trade to price premiums, narrowing the gap between the primary and secondary markets."

Meanwhile, the long-standing threat that Japanese financial regulators might intervene in the market appears to have evaporated in the face of foreign pressure and its recent performance.

For many participants, the equity warrant market has just passed its most important test.

Japanese dollar warrant Index



Brazilian group buys debt to cut borrowings

By John Barham in Sao Paulo

COMPANHIA Vale do Rio Doce (CVRD), one of Brazil's biggest and best managed state companies, has reduced its borrowings by using a novel scheme involving purchase of some $1bn of Brazilian foreign debt certificates.

CVRD is the largest mining group in Brazil. An official said: "We have been buying debt on the international secondary market at a discount and using it to reduce our total debts from around $2.5bn to about $1.4bn."

Brazilian debt trades on the secondary market at close to 25 per cent of face value. CVRD used export revenues to buy in the debt. The Brazilian central bank then credited the company with the certificates' full face value in local currency. This allowed CVRD to cut its foreign debt to $300m and local debt to $1.1bn.

A foreign banker noted that the deal enabled CVRD to settle its debts for a fraction of their value. "We have structured similar deals for private companies, but the central bank never issues the full face value in local money. It usually issues half the certificates' value. CVRD got such a good deal probably because it is majority-owned by the Government," he said.

The debt buy-back scheme marks the culmination of a broad overhaul of CVRD's finances. The completion in 1986 of the $2.5bn Carajás mining project left the company with heavy borrowings.

Annual debt service charges amounted to $550m. In 1988 it issued $300m in local market debentures and sold $270m of forward gold contracts.

Danish auction reduces clearing spread

By Tracy Corrigan

THE results of Denmark's auction of Eurodollar bonds yesterday, only the second time an auction system has been used in the Eurobond market, appeared to vindicate the Kingdom's confidence that an auction method would reduce its funding costs.

The clearing spread for the issue, which totalled $800m, was 57.8 basis points above the five-year US Treasury yield, a reduction from 65 basis points at the first auction.

The bonds are fully fungible with the outstanding $771m issue of 9¼ per cent bonds due 1995, which were trading around 58 basis points above the curve, prior to the auction. This will now form the largest outstanding fixed-rate straight issue in the Eurobond market, according to lead manager J.P. Morgan Securities.

The total amount of competitive bids reached more than $3bn, of which $600m were accepted, as the remaining $200m were allocated to the Danish central bank on a non-competitive basis. A number of US houses bid aggressively for the bonds, with Goldman Sachs, J.P. Morgan and Salomon Brothers all taking close to $150m of paper.

The issue closed at 99.82 bid, just below the fixed re-offered price of 99.839, and well within 20 basis point commissions. Mr

INTERNATIONAL BONDS

Niels Erik Sorensen, a director in the debt division of the Danish Ministry of Finance, said results show that the auction system provides an efficient method of raising funds, and the disappointing results at the first auction were largely due to a boycott by some financial intermediaries, who felt fees were threatened by the system.

Mr Sorensen said that Denmark would consider issuing bonds globally in the future. Denmark's funding requirement for the rest of this year depends on whether capital imports into Denmark meet the country's need for foreign exchange reserves. He estimated that it would be in the region of $1bn. However, a heavy schedule of bond redemptions in early 1991 could encourage the ministry to take advantage of attractive market conditions at the end of the year, to refund in advance of the redemptions.

The new Denmark issue is unswapped, but Mr Sorensen said Denmark intended to swap some of its existing floating-rate dollar debt into European currencies, especially Swiss francs and D-Marks.

The second large global issue of asset-backed securities this week, a $1.25bn issue backed by Citicorp credit card receivables, was priced at the higher end of the indicated spread range. The seven-year issue, through a vehicle called Standard Credit Card Trust 90-6, carries a 9⅜ per cent semi-annual coupon and was priced to yield 88 basis points above the comparable US Treasury note. Like First Chicago's global credit card-backed offering earlier this week, the bulk was said to flow towards the US.

Elsewhere, the Republic of Italy brought an Ecu1bn issue of 10⅜ per cent seven-year bonds, via San Paolo. The generous pricing and benchmark status of the issue ensured strong demand, and the issue traded above its fixed re-offered price of 99⅞ at 99.93 bid. The issue was unswapped.

Meanwhile, the lapse of Japanese demand for subordinated debt continues to boost issuance of variable-rate notes.

The Alliance & Leicester yesterday became the first UK building society to issue undated, subordinated debt in the form of variable-rate notes. The Alliance, the UK's fourth largest building society, brought a £200m issue of notes paying an initial margin of $\frac{3}{16}$ point above the London interbank offered rate, with Merrill Lynch as sole manager. The issue qualifies as supplementary capital. It is structured so that the notes would be likely to qualify as high-ranking capital, once the relevant European Community directive came into force at the end of 1992. However, it is not yet clear what form any guidelines for building societies will take.

The Alliance has placed subordinated debt in Japan previously, but that market is no longer receptive. Mr Peter White, deputy group chief executive, said the society did not need to borrow further funds this year, but would remain receptive to opportunities to fund at its current target level of five basis points above sterling Libor and better. Banco Santander became the first Spanish bank to use the variable rate note structure as a means of raising Upper Tier II capital under Bank of Spain guidelines. The $400m of undated notes pay an initial margin of three-month Libor plus 40 basis points.

Other European banks are reported to be bringing variable-rate note issues.

● Walt Disney Co has increased to $2.25bn from $1.5bn its issue of Lyons (liquid yield option notes), which are zero-coupon bonds convertible into cash tied to the market price of Euro Disneyland.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Standard Cr.Card Tst 90-6(j)◆	1.25bn	9⅜	99.585	1997	45bp	CSFB
Denmark, Kingdom of(e)◆	800	9¼	99.839	1995	20bp	J.P. Morgan Secs.
Banco Santander(i)♣◆	400	(i)	100	undated	n/a	Salomon Brothers
Korean Development Bank(a)‡◆	200	$\frac{1}{16}$	100	1997	32½/12½	J.P Morgan Secs. Asia
NMB Semiconductor Co.(b)◆	150	12¾	111⅞	1994	1⅝/1⅛	Nomura Int.
Miwon Co.(f)§	30	(1¾-2)	100	2005	2½/1½	Morgan Stanley Int.
ECUs						
Italy, Republic of(h)◆	1bn	10⅜	99⅞	1997	30/20bp	San Paolo Bank
STERLING						
Alliance & Leicester(g)♣◆	200	(g)	100	undated	n/a	Merrill Lynch Int.
FRENCH FRANCS						
Cie Bancaire(b)◆	750	10¼	100⅞	1993	1⅜/⅞	Banque Paribas
D-MARKS						
Girozentrale-Vienna(c)★★◆	75	12⅛	101½	1993	1½/1	Bankers Trust
Mitsui Taiyo Kobe Bk(Lux)(d)◆	40	(d)	102	2000	2¼/1⅜	Mitsui Taiyo Kobe

★★Private placement. §Convertible. ♣Variable rate notes. ‡Floating rate notes. ◆Final terms. a) Coupon pays $\frac{1}{16}$ over 6-month Libor. Put at par in July 1995. b) Non-callable. c) Borrower option to redeem in DM at par or in C$. d) Coupon pays ⅝% over 6-month Libor first two years, then 9% annually thereafter. Call at par after two years. e) Launched via auction system. $200m of total allocated to Danish Central B nk. Fungible with existing $771m issue launched in March. f) Callable. Put in July 1995 to yield indicated 6¾-7%. Indicated conversion premium 45-55%. g) Initial coupon pays $\frac{3}{16}$% over 3-month Libor. Fall back rate: years 1-5 90bp over Libor, years 6-10 100bp over Libor, years 11-20 125bp over Libor, thereafter 145bp over Libor. h) Fixed re-offer price. Non-callable. i) Initial coupon pays 40bp over 3-month Libor. Fall back rate: years 1-5 75bp over Libor, years 6-10 90bp over Libor, years 11-15 110bp over Libor, thereafter 125bp over Libor. j) Coupon paid semi-annually. Fixed re-offer price. Non-callable.

Matif enrols two Japanese houses

THE French subsidiaries of Nomura Securities and Daiwa Securities, the two Japanese securities houses, have joined the French financial futures exchange, the Matif, Reuter reports. The new members are Nomura France and Daiwa Europe (France).

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Thursday June 21 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Jun 20: Index No.	Tue Jun 19: Index No.	Mon Jun 18: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (198)	896.27	....	12.97	5.13	9.38	17.22	896.12	903.47	909.58	969.63
2 Building Materials (27)	1137.62	+0.1	13.67	5.29	9.06	25.77	1136.27	1138.13	1133.56	1207.03
3 Contracting, Construction (36)	1424.25	-0.2	16.89	5.79	7.71	34.64	1427.35	1424.10	1421.86	1651.29
4 Electricals (10)	2625.06	+0.3	10.83	5.12	11.35	61.43	2617.77	2619.99	2619.14	2875.13
5 Electronics (29)	1807.90	+0.4	10.28	4.17	12.61	21.38	1800.49	1855.25	1898.86	2245.27
6 Engineering-Aerospace (8)	469.41	+0.3	13.81	4.97	8.63	9.42	468.03	478.38	491.70	0.00
7 Engineering-General (43)	501.18	-0.1	11.74	5.09	10.28	8.93	501.55	502.11	503.19	0.00
8 Metals and Metal Forming (6)	506.78	+0.7	23.17	6.63	5.11	2.46	503.40	499.88	496.76	521.28
9 Motors (15)	372.75	+0.1	14.91	6.19	7.82	9.81	372.20	375.67	376.62	328.18
10 Other Industrial Materials (24)	1628.36	-0.5	10.88	4.94	10.61	34.38	1636.76	1645.54	1657.48	1622.37
21 CONSUMER GROUP (179)	1315.46	-0.1	9.29	3.84	13.31	19.74	1316.67	1314.91	1315.24	1242.44
22 Brewers and Distillers (21)	1619.60	-0.2	9.40	3.57	12.87	23.35	1623.10	1612.82	1614.16	1360.79
25 Food Manufacturing (20)	1125.94	+1.4	10.15	4.26	12.19	17.76	1110.88	1107.57	1106.77	1103.56
26 Food Retailing (16)	2482.74	+0.8	9.35	3.32	13.74	33.61	2462.40	2470.97	2470.49	2399.73
27 Health and Household (15)	2535.24	-1.7	6.79	2.73	17.53	24.15	2578.40	2604.90	2606.67	2249.38
29 Leisure (31)	1507.35	+0.4	9.71	4.10	12.53	24.36	1501.61	1498.30	1493.11	1661.19
31 Packaging & Paper (13)	614.21	+0.1	10.89	5.60	11.33	11.83	613.50	611.66	607.26	566.50
32 Publishing & Printing (16)	3585.87	+0.1	10.14	5.14	12.31	79.26	3582.54	3552.79	3553.29	3588.16
34 Stores (35)	836.15	-0.1	10.69	4.47	11.97	15.30	836.82	828.28	831.14	816.62
35 Textiles (12)	504.39	+0.1	12.53	7.09	10.22	16.06	503.67	501.48	503.08	538.45
40 OTHER GROUPS (104)	1203.84	+0.3	10.84	4.91	11.11	14.99	1200.50	1199.59	1203.84	1129.21
41 Agencies (17)	1730.24	+0.1	5.76	2.21	21.01	14.99	1727.69	1734.54	1745.49	1412.48
42 Chemicals (23)	1304.42	....	10.80	5.07	10.83	31.17	1304.84	1321.06	1328.46	1299.76
43 Conglomerates (14)	1706.28	+0.1	10.05	5.84	11.91	26.40	1704.13	1702.53	1703.99	1652.34
44 Transport (13)	2301.57	-0.5	10.67	4.48	11.89	40.07	2312.30	2297.09	2306.98	2449.37
46 Telephone Networks (2)	1233.01	+1.6	11.05	4.56	11.75	0.00	1213.70	1202.09	1205.20	1094.79
47 Water (10)	1929.81	-0.9	16.74	7.02	6.67	0.00	1946.40	1949.87	1971.28	0.00
48 Miscellaneous (25)	1808.86	-0.1	11.96	4.87	9.54	36.78	1811.32	1808.98	1811.04	1655.16
49 INDUSTRIAL GROUP (481)	1188.81	....	10.66	4.49	11.44	18.09	1188.21	1189.57	1192.97	1160.70
51 Oil & Gas (19)	2317.92	-0.3	12.16	5.33	10.86	46.50	2323.97	2313.30	2293.56	2081.50
59 500 SHARE INDEX (500)	1283.80	....	10.87	4.60	11.36	20.39	1283.70	1284.16	1285.83	1238.90
61 FINANCIAL GROUP (107)	805.12	-0.6	-	5.67	-	20.36	809.80	802.90	801.17	734.42
62 Banks (9)	850.00	-0.4	19.31	6.32	6.78	25.62	853.83	844.18	844.09	731.47
65 Insurance (Life) (7)	1445.31	-0.6	-	5.08	-	36.94	1454.42	1431.97	1421.40	1064.21
66 Insurance (Composite) (6)	706.61	-0.6	-	5.85	-	19.43	710.94	702.55	697.41	568.96
67 Insurance (Brokers) (7)	1036.41	-0.2	8.37	6.30	15.74	27.41	1038.13	1027.31	1022.61	961.12
68 Merchant Banks (7)	450.12	-0.1	-	4.50	-	8.55	450.65	453.75	454.60	329.57
69 Property (47)	1078.99	-1.1	8.33	4.36	15.39	17.70	1090.97	1089.88	1090.35	1315.70
70 Other Financial (24)	298.55	-0.2	12.48	6.49	10.47	5.96	299.11	300.16	300.85	359.09
71 Investment Trusts (67)	1224.69	-0.2	-	3.18	-	15.14	1226.88	1222.06	1223.81	1150.87
91 Overseas Traders (5)	1432.56	+0.3	9.69	6.38	12.36	43.49	1427.84	1424.49	1422.40	1324.62
99 ALL-SHARE INDEX (679)	1168.67	-0.1	-	4.72	-	20.15	1169.61	1168.35	1169.29	1115.46

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 20	Jun 19	Jun 18	Jun 15	Jun 14	Year ago
FT-SE 100 SHARE INDEX♠	2370.3	-0.9	2377.1	2360.9	2371.2	2369.7	2370.5	2392.3	2403.0	2180.0

FIXED INTEREST

PRICE INDICES	Thu Jun 21	Day's change %	Wed Jun 20	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	115.68	+0.21	115.43	-	6.27
2 5-15 years	122.52	+0.08	122.54	0.11	6.91
3 Over 15 years	126.57	+0.07	126.49	-	6.15
4 Irredeemables	146.35	+1.28	144.51	-	6.36
5 All stocks	122.39	+0.13	122.29	0.06	6.69
Index-Linked					
6 Up to 5 years	146.33	-0.05	146.40	-	1.49
7 Over 5 years	138.65	-0.18	138.90	-	2.03
8 All stocks	139.11	-0.17	139.35	-	1.99
9 Debentures & Loans	99.03	+0.27	98.77	-	5.86
10 Preference	74.01	....	74.01	-	3.09

AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 21	Wed Jun 20	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.95	10.99	10.05
2	15 years	10.61	10.71	9.62
3	25 years	10.53	10.64	9.43
4 Medium Coupons	5 years	11.91	11.97	11.17
5	15 years	11.06	11.05	10.10
6	25 years	10.69	10.71	9.63
7 High Coupons	5 years	12.01	12.08	11.30
8	15 years	11.32	11.31	10.31
9	25 years	10.94	10.92	9.80
10 Irredeemables†		10.50	10.64	9.41
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	5.28	5.24	3.86
12 Inflation rate 5%	Over 5 yrs.	4.17	4.15	3.80
13 Inflation rate 10%	Up to 5 yrs.	4.15	4.11	3.06
14 Inflation rate 10%	Over 5 yrs.	3.98	3.96	3.62
15 Debs & Loans	5 years	13.76	13.96	12.00
16	15 years	12.80	12.84	11.67
17	25 years	12.79	12.82	11.33
18 Preference†		12.48	12.48	10.32

♠Opening index 2368.2; 9 am 2362.2; 10 am 2366.1; 11 am 2370.5; Noon 2377.0; 1 pm 2376.4; 2 pm 2372.8; 3 pm 2369.9; 4 pm 2369.6; 4.10 pm 2369.3; (a) 11.39am (b) 9.12am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday Issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	31	18
Corporations, Dominion and Foreign Bonds	1	8	14
Industrials	311	284	984
Financial and Properties	92	132	518
Oils	14	29	45
Plantations	0	1	9
Mines	28	31	106
Others	44	67	129
Totals	538	583	1,823

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*498)	460	48	67	80	3	10	15
	500	17	40	55	16	21	27
	550	3	19	32	55	55	55
ASDA (*117)	110	10	16	19	3½	7	8
	120	4½	9	14	7	10	14
	130	2½	-	-	15	-	-
Brit. Airways (*216)	200	19	29	34	1½	5½	7½
	220	6	16	22	9	13	15
	240	1½	-	-	25	-	-
SmKl Beecham A (*538)	500	46	62	80	3	10	16
	550	12	32	50	20	30	34
	600	2½	13	28	65	65	65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Utd. Biscuits (*364)	330	44	53	62	2	6	8
	360	17	30	42	7	14	17
	390	5	15	27	28	30	33
Unilever (*690)	650	49½	73½	91¼	4	9½	15½
	700	12½	40¼	60¼	18½	29	34½
	750	2	-	-	62½	-	-
Ultramar (*333)	330	16	30	45	8	15	20
	360	5	17	30	27	32	33
	390	3	9	-	57	58	-
Option		**Aug**	**Nov**	**Feb**	**Aug**	**Nov**	**Feb**
Brit Aero (*524)	500	78	88	-	3	9	-
	550	17	33	52	37	45	50
	600	5	17	32	78	80	85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Oct	Calls Dec	Puts Aug	Puts Oct	Puts Dec
Reuters (*1275)	1250	81¼	119	155	36¼	51½	62¼
	1300	54¼	92¼	127	61¼	76¼	85¼
Option		**Sep**	**Dec**	**Mar**	**Sep**	**Dec**	**Mar**
Abbey Nat (*203)	200	15	20	25	8	9½	12
	220	6	11	14	20	22	24
Amstrad (*68)	60	13	15	18	3	3½	4½
	70	6½	10	13	6½	8	9
Barclays (*403)	393	28	43	-	17	18	-
	420	-	-	37	-	-	37
Blue Circle (*249)	240	24	34	43	7½	13	24
	260	13	23	31	18	21	24
British Gas (*221)	220	9½	17	20	11	14	15
	240	3	7½	10	26	26	27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings June 18
- Last Dealings June 29
- Last Declarations Sept. 20
- For settlement Oct. 1

For rate indications see end of London Share Service

Calls in Cannell, Eurotunnel warrants, Norton, Priest Marians and Young (H). Put and call in Cannon Street Invs. and Mecca Leisure.

UK COMPANY NEWS

Supply problems and weak demand cut Dawson profit

By Alice Rawsthorn

DAWSON INTERNATIONAL, the Scottish textile group best known for its luxury cashmere knitwear, yesterday announced a fall from £43.05m to £40.36m in pre-tax profits for the year to March 31.

Mr Ronald Miller, chairman and chief executive, said the year had been "very difficult". The group had suffered from the combination of supply problems and weak demand in its traditional knitwear interests. In the US it was affected by the unexpectedly high cost of its investment programme.

Turnover rose to £441.17m (£351.9m) and trading profits to £47.91m (£43.61m). But the cost of funding the acquisition of CPG in the US and a £27.9m expenditure programme raised gearing to 39 per cent, and left the group with a sharply increased interest bill of £8.96m (£1.98m).

Dawson's traditional knitwear companies continued to suffer from the difficulty of securing high quality cashmere; they were also hit by weak demand. The restructuring of the knitwear division was now completed and the supply problems were easing. Mr Miller expected the knitwear market to stabilise in the second half.

The other UK companies – notably Blackwood, in contract carpets, and Dawson Fur Fabrics, in slipper and upholstery fabric – suffered from the general downturn in the UK textile industry.

In the US, Morgan and Duofold, the thermal underwear businesses, fared well in a cold winter. But CPG's profits fell because of the cost of its investment programme and API was hit by the disruption of opening a new plant.

In spite of the fall in profits, earnings were maintained at 18.1p, but only because of a reduction in the tax rate from 34 to 24 per cent. The final dividend is raised to 6.1p making a total of 9p (8.6p).

● COMMENT

This is the second successive year of declining profits from Dawson. The company conjures convincing explanations – the chaos of the cashmere supply chain, a costly capital expenditure programme in the US and the sorry state of the knitwear market – but its investors must be rather bored with hearing them. Outlook for this year is no less lacklustre. The knitwear market could improve in the second half, but only after a faltering first half; prospects for the other UK textile companies are still grim; and it will take time before Dawson reaps the benefits of all its investment in the US. The City is resigned to static profits for the present year. This leaves the shares, down 1p to 174p yesterday, at a premium to the sector on a prospective p/e of 9.5, but only because of the market's continuing hopes of a bid.

Trevor Humphries

Keith Fox (left), managing director of Dawson's cashmere, knitwear and fine yarns division, Ronald Miller (centre), group chairman and chief executive, and Philip Kemp, managing director of the US division

Joint ventures help soften Erostin fall

By David Owen

EROSTIN GROUP, the property developer and house builder, is weathering the current gloom in the construction sector better than some of its rivals, as was seen from its results for the year to April 5 which showed only a slight fall in profits.

The Milton Keynes-based company also expressed confidence regarding prospects for the current year. "Unless you are building office blocks in the City or B1 units in the south-east, it is not that bad," said Mr John Upson, chairman. Nevertheless, the shares tumbled a further 5p to 120p. Less than a year ago, they traded at a peak of 280p. The company joined the main market at 165p in July 1988.

All told, Erostin reported pre-tax profits of £7.33m (£7.51m). Turnover dipped a sharp 32 per cent to £36.77m (£54.19m) – the decline was attributed to the inclusion in last time's figure of £20.2m gleaned from the sale of the group's surplus housing land.

Erostin was helped by hefty year-on-year increases both of interest receivable – £2.04m against £629,000 – and related company profits – £694,000 against £28,000. Both increments were explained partly by increased contributions by various joint ventures. "We get interest on money lent to joint venture companies," Mr Upson said.

The lion's share of profits – £5.23m – was derived from commercial and industrial development, with residential development accounting for £1.2m.

Joint venture sales in the commercial division amounted to £24.3m. The group's own developments accounted for the bulk of activity during the year, however, with sales of a pre-let office development at Milton Keynes and of sites at Chiswick and Bicester secured.

A total of 113 completed homes were sold, down from 160 in 1989, following what Mr Upson described as "a bit of a pick-up" in the second half.

Earnings per share slipped to 21.6p (22.9p). A final dividend of 4p is recommended, making a total of 7p (6p), a rise of 16.7 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglia Television, Grainger Trust, Murray Enterprise, Omnitech.

Finals- Allen, Chloride, JS Pathology, Latham (James), Micrelec, Wood (SW).

FUTURE DATES

Interims-	
Aukett Associates	June 25
Beckenham	June 26
City Site Estates	June 29
Greenfriar Investment	July 27
Hambro E'bond & Money Mkt	July 4
Lee (Arthur)	June 28
Siam Smaller Co's Fund	July 10
Union Discount	July 11
Finals-	
Cardio Engineering	June 28
Central & Sheerwood	June 28
Crossroads Oil	June 28
Debenham Tewson Chinnocks	June 26
Fobel International	June 25
Kewill Systems	June 28
Porter Chadburn	July 10
Shelton (Martin)	June 26
Sterling Publishing	June 28
Vistec	June 29
Welsh Water	June 28

Anglo deal clears way for B&C disposal

By Nikki Tait

SUMMIT, the private financial services company which is buying Anglo Leasing from the Anglo group for £120m, has combined its financing package with arrangements which allow British & Commonwealth to dispose of a 28.7 per cent stake in the company.

Summit is raising the £120m via an issue of convertible redeemable preference shares to its existing shareholders, together with a group of new institutional shareholders led by Electra Kingsway. Subscriptions for the issue take place in two instalments.

Existing Summit shareholders who are putting up new money include General Electric Company (39.2 per cent), the ECI funds, Murray Johnstone funds, Eagle Star and Gartmore Venture Capital. The new investors take in Electra Private Equity Partners, Standard Life, CIN Venture Managers, Scottish Amicable, and General Electric Investment Corporation.

However, besides providing the acquisition finance, existing and new shareholders will also acquire the shares in Summit currently held by B&C, the troubled financial services group which recently went into administration.

Summit said yesterday that this arrangement should raise an initial £14.7m for B&C. However, it explained that the institutions were holding the shares as a "warehousing" operation. The eventual intention was to bring a significant new investor into the group. If this resulted in the B&C stake being sold on at a profit, B&C would share in the uplift.

Summit has a complicated history. It was formed in 1985, when Mr Kit Hunter Gordon and Mr Barry Sack bought out Aurit Services from J. Rothschild Holdings with the aid of Comcap. GEC came in with a 40 per cent, and Comcap was then acquired by Atlantic Computers. B&C subsequently purchased Atlantic - the main cause of the group's eventual downfall - and, as a result, ended up with a stake in Summit.

Electra Trust net asset value lower

By Nikki Tait

Electra Investment Trust yesterday reported a fully-diluted net asset value of 340p a share at end-March, compared with 345.73p six months earlier.

However, it pointed out that this represents a 1.66 per cent fall, while the FT-A All Share Index had tumbled by 4.67 per cent over the same period.

The net asset valuation - £548m on a total, rather than per share, basis - includes a figure of £10m in respect of Electra's interest in Electra Kingsway, the new fund management company.

However, Electra said that it had not given any value to the carried interest which the trust enjoys over the £286m in Electra Private Equity Partners, which was contributed by third party participants. EPEP, a new fund, closed in February with total commitment of £486m, and with Electra itself putting up £200m. Of this sum, £73m has been called down to date.

Electra said that, in the first half, the listed portfolio had continued to underperform the market. It blamed this on the trust's specialisation in smaller capitalisation companies.

Pre-tax profit in the first half was £8.26m (£7.58m) and there is an interim dividend of 3p, up from 2.7p in the previous year.

First Leisure's £60m facility

By Andrew Bolger

First Leisure said yesterday it had arranged a £60m credit facility to provide funds for its continued expansion.

Mr John Conlan, chief executive, said the money would be used in continuing to develop the group's interests in 10-pin bowling and discotheques. Although the current downturn in the leisure sector might provide opportunities to acquire individual units, he said it would be wrong to read this facility as a sign that First Leisure was going on the acquisition trail.

Hill Samuel arranged the facility, which carries a maximum margin of 30 basis points over Libor, with a group of international banks.

Gartmore Securities

Gartmore American net asset value 41.8p at year ended March 31 (51.72p at September 30 1989).

BPB to pay £97m for majority stake in Spanish plaster group

By Andrew Taylor, Construction Correspondent

BPB INDUSTRIES, Britain and Europe's biggest plasterboard manufacturer has agreed to pay £97.1m for a 65 per cent stake in Inveryeso, Spain's biggest plaster company.

The acquisition comes when BPB is facing its first serious competition in the British market for more than 20 years. BPB, which is expected to announce a big fall in profits when it publishes its annual results next Thursday, has also been experiencing a price war in France and West Germany.

The company is currently the largest plasterboard producer in Britain, France, Italy, Sweden, Austria and the Benelux countries. It is the second biggest producer in West Germany.

Inveryeso sells about half of all building plasters in Spain. The country until recently has bought very little plaster board.

BPB said yesterday that it exported a very small amount of plasterboard to Spain from France, but expected this market would grow rapidly over the next decade.

Mr Alan Turner, group chairman, said the company would initially pay £15m cash and hand over an 11 per cent minority stake worth £11.2m in Yesocentro, a subsidiary of Inveryeso. In return BPB would receive 38.5 per cent of the Spanish parent.

The British group would pay a further £40.9m next July to increase its stake in Inveryeso to 65 per cent.

Mr Turner said initially the deal would dilute earnings marginally, but this would be recovered within two to three years. Inveryeso last year earned pre-tax profits of £10.3m. Assets at the end of the year were valued at £38.7m.

Mr Turner said Spain and Portugal were expected to be two of the fastest growing European construction markets over the next 10 years.

Inveryeso had plants close to most of Spain's major centres including Madrid, Barcelona, Zaragoza, Valencia, Logrono and Seville. Spain was one of biggest producers of gypsum in Europe. Inveryeso alone had reserves of 550m tonnes, said Mr Turner.

Knauf, West Germany's biggest plasterboard producer and Redland, a large British building materials group, have both opened plasterboard plants in Britain in the past 16 months. Since the late 1960s BPB had been the sole plasterboard manufacturer in Britain.

The group, like its competitors, has been suffering in the UK from a sharp fall in house sales. Analysts forecast that BPB's pre-tax profits in the 12 months to end-March will be between £125m and £135m, compared with just over £202.3m in the previous year.

Coal pension funds claim 41% of Globe after market raid

By Nikki Tait

BRITISH COAL pension funds, which are making a £1.11bn bid for Globe Investment Trust, yesterday claimed control of 41.1 per cent of their target – confirming that the stock market raid on Wednesday afternoon had netted them a further 31.2m shares or 5.8 per cent.

BCPF had asked Barclays de Zoete Wedd, their stockbrokers, to buy up to 95m shares, which would have taken them just above the 50 per cent mark. Yesterday, the bidder denied that it was disappointed with the relatively low level of sales, claiming that small investors and the smaller institutions were coming out.

"We are very pleased with the excellent response of Globe shareholders," said a formal statement from Mr Paul Whitney, chief executive of CIN Management, which runs the coal funds.

Nevertheless, in spite of BCPF making clear that the order to purchase a further 63.7m shares for cash settlement remained to be filled, only a trickle of Globe shares passed through the market yesterday. The Seaq volume stood at 4.3m, suggesting that less than 1 per cent of the trust's equity had changed hands.

That appeared to be a further source of relief to Globe. "We're very happy with the volume as it stands," commented the fund, Britain's largest investment trust.

The Rule 8 announcements, required under Takeover Panel rules, showed only two sellers among the major institutions on Wednesday afternoon. The first was BZW Investment Management, which held a 1.25 per cent stake and sold 2.5m shares. This leaves it with 4m shares, or about 0.77 per cent.

The second was Robert Fleming Asset Management, acting on behalf of discretionary clients. Here, a small parcel of 175,000 shares was sold, leaving the fund managers with 9.57m or 1.78 per cent.

However, at another part of Robert Fleming, one fund manager was prepared to put her unwillingness to accept the revised BCPF offer on the record. Ms Leslie Sherratt, who runs Save & Prosper Investment Trust Units, an old-established unit trust whose portfolio specialises in investment trust shares, said that "in the current circumstances" her fund would not be taking the BCPF offer.

The S&P unit trust owns 7.5m Globe shares, giving it a 1.4 per cent stake. Globe said this made it the fifth largest single shareholder.

Ms Sherratt stressed that this position might alter if the market plunged, or if BCPF went over 50 per cent and the prospect of becoming a minority shareholder loomed. But, those eventualities aside, she maintained that "it is not in the long-term interests of unitholders for Globe to pass out at a discount of 9 to 10 per cent."

The level of discount at which the offer is pitched is a matter of some debate. BCPF claims that the figure works at about 4.4 per cent, Globe points to its total value calculation of 233p at June 4, and puts the discount in double figures. Analysts tend to fall between the two, and fund managers – like Ms Sherratt – will have done their own calculations.

James Capel takes some Stock staff and clients in break-up

By Richard Waters

THE DISMEMBERMENT of Stock Group, the subsidiary of British & Commonwealth that was once a leading private client stockbroker, began in earnest yesterday as James Capel reached agreement to take on a group of the broker's staff and clients.

Stock had been valued at £30m shortly before B&C went into administration nearly two weeks ago. Far less, if anything, is now likely to be raised for B&C creditors from the sale of the various Stock Group businesses due to the loss of goodwill resulting from the administration.

A Stock director said: "We tried to sell the group, but that didn't work, so now we're trying to sell the bits of the group."

Capel, which is taking on 24 staff from Stock's London office and over 4,000 clients, is paying nothing for goodwill, but will contribute to the costs of transfering the business.

The clients, with more than £600m under discretionary management, will have to sign customer agreements with Capel before it can handle their business.

Another group of around 25 staff from the London office is understood to be close to agreeing a move to Robert Fleming, leaving a further 40 still without jobs.

The break-up of the London operation signals the fragmentation of Stock, which had been built by B&C over the past three years out of a number of private client brokers.

The business moving to Capel was originally the private client department of Hoare Govett, while Fleming is expected to pick up the private client business that formerly belonged to Chase Manhattan.

Two other constituents of Stock are expected to raise some money for B&C's creditors. These are Stock Beech in Bristol and Birmingham, which has £800m under management, and Campbell Neill, which has a number of offices in Scotland.

Stock's remaining operations, in the Channel Islands, have gone into liquidation.

DIVIDENDS ANNOUNCED

Bankers' Inv ......int	0.66	-	0.55	-	2.31
BTP ......fin	5.1	Aug 9	4.5	7.85	7
Dawson Intl ......fin	6.1	Aug 30	5.95	9	8.6
Dundee & London ...int	3.8	July 20	3.4	-	10.5
Erostin ......fin	4	Sept 13	4	7	6
Gold Greenlees ......fin	5	October	4.5	8.3	7.5
Hobson § ......fin	nil	-	0.5	nil	0.75
IWP Intl ......fin	3♣	Sept 3	3	5.5	4.5
Mid Kent ......int	3	July 31	-	-	-
Owen & Robinson ...fin	0.35	-	0.3	0.5	0.3
Penny & Giles ......fin	3	-	2.45	4.25	3.5
R Plate & Gen IT ....int	3	-	3	-	7.7
Soundtracs § ......int	0.85	Sept 26	0.85	-	2.2
TGI ......fin	4	Aug 24	4	6.2	6
Utd Industries ......fin	1.8	Oct 1	1.8	3	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish pence throughout.

Mid Kent lifts profits to £2.9m

Mid Kent Holdings, the company formed in March 1989 to acquire the Mid Kent Water statutory water company, reported pre-tax profits of £2.86m, up from £2.17m, in the six months to end-March.

Mid Kent, in which a UK offshoot of Compagnie Génerale des Eaux of France has a 29.9 per cent stake, plans to change its year-end to March.

The outcome came on turnover of £10.85m (£8.89m). The company said profits were buoyed by higher than forecast interest received.

Earnings per share emerged at 12.3p. A 3p interim dividend follows a first interim of 3p paid in January.

UK COMPANY NEWS

Parkfield share price drops on profits warning

By Andrew Bolger

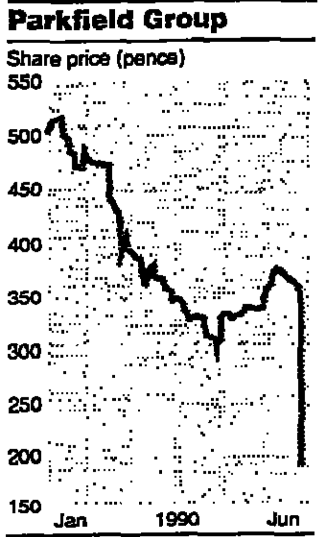
PARKFIELD GROUP saw £60m wiped off its market value yesterday after the UK manufacturing and entertainment mini-conglomerate warned that *profits for the year to April 30* would be disappointing.

The shares plunged from 346½p to 189p after the announcement, which left the company valued at £96m. That compared with a market value of £263m in January, when the shares touched 518p.

Parkfield, which has been *among the best-performing* shares in the FT-A All-Share Index since it joined the USM in 1981, said that pre-tax profits to April were unlikely to exceed last year's figure of £23m. Analyst had been expecting up to £35m.

Mr Roger Felber, chairman, said that the main problem had been in the entertainment division, which distributes pre-recorded videos for several Hollywood studios.

Parkfield shares fell sharply in February after the resignation of Mr Paul Feldman, the director who had been respon*sible for building up the enter*tainment division. There had been persistent trade and market rumours that Parkfield suffered over the Christmas period from overstocking and lack of management controls.



Mr Felber said new management had been put into the division and there was an element of wanting to get the bad news out of the way immediately. They had taken a more prudent *view of "a whole* melange" of items, including amortisation policy.

He said: "We've run very fast, and the speed with which we have grown has resulted in a stretching of people and systems further than they could manage."

But Mr Felber said the business was still very profitable and insisted: "We are not talking about a disaster."

The entertainment division also has a stake in the recent film about the Kray brothers and is involved in the installation of satellite dishes for Sky TV and BSB, but Mr Felber said these activities had all made strong contributions to profits.

He said that sales and markets remained strong on Parkfield's manufacturing side, which makes aluminium and steel wheels for vehicles, chassis and heavy castings.

See Lex

Resignation at Mecca Leisure

By David Churchill, Leisure Industries Correspondent

MECCA LEISURE yesterday announced the resignation of Mr Jeremy Long, its deputy *chief executive and former* finance director, as part of a management shake-up in the wake of the Rank Organisation's £537m bid for the company.

Mr Long had been with Mecca since 1980 and was part of the original team which organised the buy-out of Mecca from Grand Metropolitan for £95m in 1985.

However, some City analysts had blamed him for Mecca's failure to reduce its borrowing following the £750m acquisition of the Pleasurama Group in late 1988.

At the end of last December *Mecca's gearing* was stated to be 110 per cent against forecasts of 80 per cent. But when the company's preliminary results were announced in early April, Mecca said it had debts of £460m, giving it a gearing level of 144 per cent.

This led to an immediate fall of 30 per cent in Mecca's share price, which subsequently *allowed Rank to mount its bid.*

Mr Long was appointed deputy chief executive earlier this year but continued in his role as finance director until the appointment earlier this month of Mr Robert Nellist.

Mr Long's resignation, how*ever, enables Mecca to end the* embarrassment of having too many directors. Under its articles of association, the company can have only 12 full-time directors. The appointment of Mr Nellist and two non-executive directors gave the company 13 directors – a fact pointed out at its recent annual meeting.

Mr Ian McIntosh, deputy chief executive of Samuel Montagu, is now able to formally join the board as a non-executive director.

TGI dips 52% after factoring loss

AS *FORESHADOWED* in its interim statement in January, TGI, the audio and electronic products group, yesterday unveiled a sharp decline in annual profits.

Problems in its consumer electronic factoring division, reflecting false alarms over the safety of the group's range of microwave ovens, now discontinued, resulted in profits dipping by 52 per cent from a restated £3.62m to £1.73m pre-tax in the 12 months to end-March.

The division, which incurred a loss of £1.92m in the year, has been rationalised into three areas – in-car entertainment, *audio/hi-fi and telephone* equipment – and the withdrawal from other activities was taken below the line as an extraordinary loss of £1.14m.

TGI blamed the division's poor performance on the "prolonged squeeze" on consumer spending which led to lower sales than budgeted for certain *product lines and adverse* exchange rate movements which put margins under severe pressure.

A return to profit in the current year is expected "provided there is no further deterioration in the market."

In contrast, the manufactur*ing side lifted profits from* £2.61m to £3.65m. Directors said the performance of Audix, the communications equipment offshoot, justified the move into professional broadcasting and public address systems – a move followed by yesterday's announcement of the acquisition of Martin Audio, which makes high per*formance loudspeaker systems,* for a maximum £2.5m.

Group turnover expanded to £56.36m (£44.93m). Earnings per 1p share tumbled to 6.1p (15.9p), but the final dividend is maintained at 4p to give a total of 6.2p (6p) for the year.

BTP rights for funding continental acquisition

By Jane Fuller

BTP, the specialist chemicals and industrial group, is buying its first manufacturing facilities in continental Europe through the £15.5m acquisition of a West German-based adhesives business.

The UK group, which also announced a 51 per cent *increase in pre-profit, from* £11.4m to £17.25m including exceptionals, for the year ended March 31 1990, will fund the purchase via a rights issue of one ordinary for every four and 16.3 ordinary for *every 100 convertible prefer*ence. That will raise a total of £22m. The issue price is 140p, compared with yesterday's close of 176p, just 1p down.

BTP is buying the continental adhesives business of Cerestar, Europe's biggest producer of starch and part of Gruppo Ferruzzi of Italy.

These activities made a pre*tax profit of £2.5m* on sales of £16.2m last year. BTP will join the new business to its Mydrin adhesives and textile coating subsidiary.

Profit of the UK group included an exceptional gain *of £3.1m (£1m) on a business* disposal. Turnover rose by 31 per cent to £127.35m (£97m).

The chemical division, which includes Mydrin, increased operating profit by 77 per cent to £8.14m.

For the first time BTP has separated its anti-microbial business, including preservatives and chemicals for facsim*ile paper, into a separate divi*sion called biocides. It raised operating profit by 9 per cent.

Earnings per share were 19.56p (13.21p). A final dividend of 5.1p makes a total of 7.85p (7p).

● COMMENT

It is indicative of the clear picture *now emerging of BTP* that the continental purchase is being grafted on to Mydrin, one of the best businesses acquired with Barrow Hepburn three years ago. The process of sloughing off unwanted parts is complete and BTP is now building up a track record in its three chosen divisions. The newest of them, biocides, has been split off from chemicals to help focus more attention on its performance, which has scope for improvement. Approval of the acquisition and belief in the group's growth prospects meant there was no problem finding underwriters. Pre-tax profit forecasts vary from £18m to nearer £20m. A prospective p/e of 11 represents good long-term value, bearing in mind the scope for transferring the technologies into new territories.

The Sign of Four – the Holmes case

Andrew Hill charts the decline of the US-based security company

IF GRUDGES were cash, Holmes Protection Group would be thriving. Ill feeling is common to almost everybody who has been involved in the recent turbulent history of the *New York security company,* from its former chairman and deputy chairman, via ex-managers of the US operations, to the group's largest shareholder and countless institutional and private investors.

Shareholder disgruntlement is easy to understand: since 1987, Holmes' shares – which are *only listed in London,* although all the group's operations are in the US – have dropped from a peak of 189p to the current price of just 12p.

The Delaware-registered company was expecting to announce results for 1989 today, but continuing negotiations with the group's lenders have forced Holmes to postpone the announcement. When the figures emerge they are likely to include extraordinary and *exceptional charges which some* analysts believe could cut more than $15m from last year's reduced operating profit.

New management, backed by the largest shareholder, Wormald International, hopes this one painful stroke of the surgeon's knife will be enough to revive the patient – assuming he doesn't die on the operating table.

"It's a question of controlling the costs, reinvigorating the *morale of the company* and stopping the bleeding of customer business. The right management should be able to turn it round in a year or 18 months," says one institutional investor in London.

The business, which began in 1858, is now founded on a base of commercial customers in Manhattan and the rest of the *US, whose alarm systems are* linked to monitoring stations. The group not only provides electronic protection, but also sends out uniformed guards to investigate when alarms are triggered. But finding the right management for Holmes is a task which would tax Sherlock himself.

According to one New York security industry analyst, Holmes has been in the hands of "deal-makers rather than alarms people" since it was owned by Mr Jacques Gaston Murray, who heads Nu-Swift, and Mr Michael Ashcroft's Hawley *Group, which evolved into ADT,* the world's largest security company.

Mr Ashcroft has always cast a shadow over Holmes, frequently emerging as a potential bidder in rumour if not in reality, but most investors pin the blame for Holmes' recent decline on Mr Brian O'Connor, a voluble Irishman, and his Scottish partner *Mr Tom Forrest, former chair*man and deputy chairman respectively.

In 1984, after merging Holmes with Security Centres (Holdings), a USM company, Mr O'Connor and Mr Forrest instituted a two-year programme of cost reductions. Until 1986, when Holmes' profits peaked at $13.8m before tax, it seemed to *be working. But in the following* two years, things went badly wrong, for three main reasons:

● Economic downturn in Manhattan. Following the stock market crash in 1987, there was an increase in the number of "disconnects" (clients not renewing their contracts with Holmes). Hard times and *increased competition upset the* group's 1988 budgets.

● Restructuring of operations. Holmes wanted to rationalise its core Manhattan business by transferring customer accounts from a number of monitoring stations to a central station, known as the Metro-Center, during 1987. But cost overruns and delays hit profits in 1987 and *1988. More importantly,* the need to concentrate on reorganisation meant some customer services were neglected and the monthly disconnect rate increased.

● Lack of management control. This is the key to the downturn. Mr O'Connor, who was based in the UK with Mr Forrest, is now prepared to shoulder part of the blame for the problems in the US in 198[illegible]. He admits that he and Mr Forrest took on too much: they also head two other public companies in the UK, including Rockwood Holdings, the troubled USM freight and distribution group.

But last year, when it emerged that costs had again run over budget despite the *"tightened financial controls"* mentioned in the 1987 report and accounts, it was the US-based executives Mr Mark Wiener and Mr Berry Packham who were sacked. "Senior management," explained Mr O'Connor in his 1988 chairman's statement, "failed to offer effective leadership."

Mr Wiener and Mr Packham, *by contrast,* have always maintained that Mr O'Connor and Mr Forrest were kept in touch about developments on the other side of the Atlantic, and blame the UK directors for failing to provide a strong lead.

"It wasn't so much that there was no management control; it was that it wasn't done in a consistent and controlled way," says Mr Packham.

The volume of accusation and counter-accusation has risen to a peak in recent weeks, but the two sides do coincide on a couple of points. All four men say that the last 18 months has been a difficult period for them personally and all four eventually received substantial compensation after leaving the company. These pay-outs are likely to be covered by provisions in the 1989 figures.

Following arbitration hearings in New York, the aggrieved US directors recently won separate claims for severance pay and compensation from Holmes worth a total of about $3.5m. The company is disputing Mr Packham's $1.5m award.

Meanwhile, Mr O'Connor and Mr Forrest, who resigned from *the board at the beginning of* April, have together taken away $1.88m of compensation owed to them under their contracts. (Mr O'Connor says they offered to defer the payments over five years.)

Shareholder distaste at the warmth of such golden handshakes, compared with Holmes' woeful record in the last three years, helps explain the behaviour of Wormald, which has owned a large stake in the group for more than three years.

In May 1989, when Holmes invited Salomon Brothers to look for a buyer for the business, Wormald began *to take a* more active interest.

It started with the Australian group's *threat last year to vote a* slate of Wormald-selected directors onto the Holmes board and culminated in the first half of this year with the ousting of Mr O'Connor and Mr Forrest. Their departure was hastened by heavy hints from Wormald that delay would not be in the two directors' best interests.

Such moves led to accusations from some *investors* that Wormald was being too heavy-handed in trying to turn the US company round from outside. They now seem convinced that such a move, however messily executed, was necessary, *if only as a first step* to restore market, customer and employee confidence in Holmes.

Mr O'Connor is frank about his failures, but fiercely protective of his and Mr Forrest's names. "I think I have done a lousy job on Holmes," he says, "we should not have taken on as many public companies as we did; we should not have believed so many people. But I do believe we did everything we could in the best interests of the company and in many cases disadvantaged ourselves."

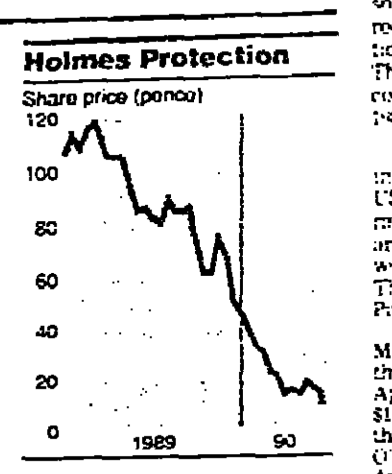
That may not be much consolation to the group's shareholders.

US negotiations postpone results

Holmes Protection Group, the New York security company with a London listing, has been forced to delay today's announcement of its 1989 results because it is in the final stages of negotiations with its US lenders.

Holmes, which is likely to report substantial losses after provisions for 1989, has long-term debt of about $70m and has been in breach of covenants on the loans since *the last quarter of the year.* The negotiations concern the payment schedule and interest payable on the debt.

The group said it expected the negotiations would be successfully completed shortly. Holmes added that *it did not expect the outcome* to have an adverse impact on the operational results.



The key dates in Holmes' downward spiral

May 1988: Holmes announces 10 per cent drop in 1987 pre-tax *profits. "Vigorous corrective action"* promised by the board.
September 1988: Mr Brian O'Connor, chairman, says that Holmes is "back on track" at the half-year.
May 1989: Pre-tax profits for 1988 down 25 per cent. Mr Mark Wiener and Mr Berry Packham, US executives, are sacked. Holmes put up for sale.
September 1989: Wormald, a 14.6 per cent shareholder, says it will requisition a shareholder meeting to elect five directors and give Holmes "a new direction". A month later Wormald withdraws request for meeting.
January 1990: Holmes drops its search for buyer and warns of a *loss for 1989. Mr O'Connor and Mr Tom Forrest step down as* chairman and vice chairman. Mr Ernest Potter takes over as chairman.
March 28: Holmes announces that Mr O'Connor and Mr Forrest will retire as directors at the AGM with compensation of $1.88m
March 30: Mr Wiener wins claim for severance pay of $2.2m under his contract, including compensation for the change in *control of the company.*
April 4: Under pressure from Wormald, Mr O'Connor and Mr Forrest resign as directors with immediate effect. Mr Potter takes leave from the board.
June 5: Mr Packham wins claim for severance pay of $1.5m, disputed by the company.
June 20: Mr Potter resigns as chairman for family reasons.

NEWS DIGEST

20% fall at United Industries

PRE-TAX PROFITS at United Industries fell by nearly 20 per cent, from £2.96m to £2.38m, in the year ended March 31 1990.

But the performance could be considered satisfactory, according to Mr KH Coates, chairman. As well as high interest rates and increasingly difficult trading conditions, two of the major customers suffered strikes which meant that for six and two months respectively the group effectively made no sales to them.

The group's four divisions – material handling, springs and pressings, cutting tools, and process machinery – all traded profitably. Turnover rose from £40.37m to £46.76m. Net interest charges came to £757,000 (£307,000).

Earnings were 5.06p (5.92p) and the dividend is again 3p with a final of 1.8p.

Mr Coates said prospects remained uncertain in the UK; but the group enjoyed a broad spread of activities at home and abroad and would start to benefit from the substantially completed investment programme and reorganisation in springs.

IWP maintains growth with I£9m

A rise in second-half profits from I£3.99m to I£4.54m resulted in full year pre-tax figures of Dublin-based IWP International rising 21 per cent to I£9.05m (I£8.38m), against I£7.51m previously.

Turnover for the year ended March 31 expanded 43 per cent *to I£76.84m.*

The group's three largest divisions – household products, industrial products and printing and packaging – all achieved increased profits, but there was a fall in the contribution from telecommunications.

Household products' profits rose to *I£4.62m (I£2.04m),* industrial products turned in I£1.24m (I£730,000), and printing and packaging I£3.54m (I£3.21m), but telecommunications dropped to I£1.66m (I£2.19m).

Net interest took £1.43m (£314,000). Earnings per share increased from 23p to 25.7p and the recommended final dividend is maintained at 3p for a total of 5.5p (4.5p).

Bankers' Investment net assets slip

Net asset value per share of the Bankers' Investment Trust was marginally lower at 103.4p at the end of April 1990, against 104.4p a year earlier.

However, net revenue for the half year increased from £1.56m to £2.21m. Earnings per share were ahead at 1.41p (0.99p) and a second interim of 0.66p (0.55p) is declared – an interim of 0.55p has already been paid.

Total revenue advanced from £3.3m to £4.75m.

Sharp fall in NAV at River Plate

River Plate & General Investment Trust reported a sharp fall in net asset value to 149.3p per share at April 30 1990, against 185.1p a year earlier.

Net revenue advanced from £1.76m to £1.91m, after tax of £677,000 (£603,000). Earnings per share improved to 3.54p (3.26p) while the interim dividend is maintained at 3p.

Gross revenue came to *£2.89m (£2.68m),* of which franked investment income accounted for £2.3m (£2.27m).

Penny & Giles rises 26% to almost £3m

Taxable profits at Penny & Giles International rose 26 per *cent from £2.37m to £2.99m* in the year to March 31. The company designs and manufactures electronic, electrical and electro-mechanical instrumentation.

Turnover advanced 33 per cent to £31.68m (£23.81m), and, after tax of £1.09m (£832,000) and minorities of £6,000 (nil), *earnings* worked through at 19.77p (16.95p) per share. The dividend for the year is lifted to 4.25p (3.5p) by way of a recommended 3p final.

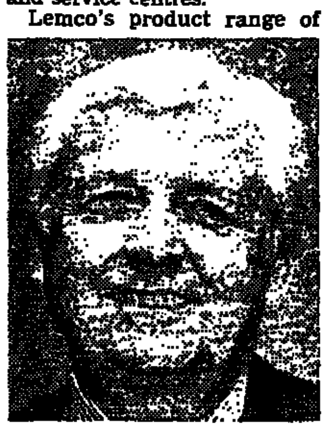
Directors said that, although uncertainties existed with respect to defence procurement, current orders outstanding and the rate at which *orders were being received pro*vided confidence that growth would continue.

TI expands in US with $3m purchase

TI Group has acquired Lemco, the US supplier of seal support systems for mechanical pumps and other rotating equipment, for $3m (£1.74m).

Lemco, based in Tulsa, Oklahoma, will operate as a division of John Crane US, with the range being marketed across the US through the John Crane network of 50 sales and service centres.

Lemco's product range of systems, heat exchangers and pressure lubricators enhanced mechanical seal performance and help to control emissions from rotary equipment in process plants.



Christopher Lewinton – TI chairman

Net assets decline at Dundee & London

The net asset value of Dundee & London Investment Trust was 293p at April 30 1990. The *figure showed a decline of* some 8 per cent on the 319p of six months earlier and 21 per cent on the 371p standing at April 30 1989.

Net revenue for the half-year to end-April amounted to £835,000 (£702,000), resulting in earnings of 4.93p (4.14p) per share. The interim dividend is lifted 0.4p to 3.8p.

Property helps Owen & Robinson to £1m

In a year of rationalisation and integration, and taking in a material contribution from property profits, Owen & Robinson, the retail jeweller, made pre-tax profits of £1m.

The period covered 12 months to January 28 1990. In the previous accounting period of eight months the profit was £816,000 and included the flattest four months for the trade; on a pro-forma annual basis the comparison was £452,000.

Mr Maurice Dwek, chairman, said the Gold Centre trading format had been introduced in all the Russell and Lawrence units in the south. Nine shops *had been closed and all but* three disposed of, thereby eliminating trading losses in excess of £500,000.

The move to new style trading meant shifting old stocks quickly, and trading profits and gross margins were affected by some £775,000. Stocks were running at some £3m below those of a year ago.

Turnover came to £14m (£10.46m for eight months). Earnings were 1.59p (2.42p) and the final dividend is 0.35p for a total of 0.5p (0.3p, or 0.45p annualised).

Hobson falls £0.37m into the red

Hobson finished the year ended March 31 1990 with a pre-tax loss of £367,000, compared with a profit of £708,000. There is no dividend, against a total of 0.75p.

The year saw significant changes for the USM-quoted group. Images Club (health and leisure) was sold in July, and the aluminium products division and Tower Hill Merchants, a general exporter and *physical commodity trader,* were disposed of last December.

Hobson now makes toiletries for export to west and central Africa. Figures available for the current year indicated all companies were trading profitably at the operating level.

The decision to dispose of manufacturing reflected the perception of the future growth potential in that sector.

Sales in the year came to £12.76m (£17.47m). The loss included £160,000 (£98,000) exceptional debits. Loss per share was 0.82p (earnings 1.29p).

Lawrie moves for tea company stakes

Lawrie Group, the tea and coffee producer and investment company, has reached agree*ment to acquire those shares of* Assam-Dooars Holdings, Walter Duncan and Goodricke, Western Dooars Tea Holdings, Isa *Bheel* Tea and *Longai* Valley Tea still in public hands.

Camellia Investments, which holds 200,000 Walter Duncan shares will, subject to shareholder approval, exchange them for new Lawrie shares.

Lawrie, subject to the merger proposals being implemented, is forecasting a dividend of 60p for 1990.

Interim setback for Soundtracs

Taxable profits of Soundtracs, the USM-quoted professional audio equipment designer, fell to £375,000 in the six months to April 30 1990.

However, Mr Todd Wells, chairman, said the outcome – down from £417,000 in the comparable period of last year – was creditable "in the face of an increasingly competitive market compounded by *escalating labour costs."*

"Our new thinking and facilities should also provide ample opportunity to exploit some of the acquisition opportunities we have had to reject in the past due to lack of production capacity" he added.

Turnover declined slightly to £1.95m (£1.99m) with some 85 per cent of products *exported* to North America, the Far East and Europe. A maintained interim dividend of 0.85p is payable from earnings of 2.44p (2.71p) per 5p share.

Gold Greenlees achieves £7.7m despite market uncertainty

By Alice Rawsthorn

IN SPITE of the tough trading conditions in the advertising industry, Gold Greenlees Trott increased pre-tax profits from £5.15m to £7.68m in the year to April 30.

The company suffered to some extent from the slowdown in the UK advertising market, but this was countered by a strong performance from its specialist marketing consultancies and from its recent acquisitions in the US.

Mr Mike Greenlees, joint chairman, said the outlook for *the UK advertising market was* "still very uncertain" but the group was "increasingly confident" because of its new business performance and its growth in the US.

Turnover rose to £199.42m (£104.14m) and operating profits to £6.68m (£4.36m). Earnings per share (fully diluted) increased to 30.11p (27.76p). The *final* dividend has been raised to 5p making a total of 8.3p (7.5p).

The UK advertising agencies reported static profits. Mr Greenlees said the main London agency had suffered slightly from the sluggish state of the industry. However, the new business market had recovered in recent weeks and the agency was pitching for accounts worth around £35m.

BDH, the Manchester agency, saw profits fall chiefly because of the problems of Coloroll, the home products company which recently went into receivership and was once *the agency's biggest client.*

The specialist marketing companies had a record year with profits growth of 20 per cent. Mr Greenlees expected a similar rate of growth this year.

In the US, which now represents nearly half of overall revenue, GGT has expanded by acquiring GSD&M in Texas and opening a new agency *for* Babbit & Reiman, its Atlanta agency, in New York.

GGT has established links with a number of European agencies in which it intends, eventually, to take minority holdings. Mr Greenlees said GGT would wait for the UK market to stabilise before making these investments and, until then, the emphasis would be on cash conservation.

● COMMENT

This respectable set of results from GGT – and the mood of cautious confidence that accompanied them – was exactly what the stock market wanted to hear after the horror stories in the marketing services sector from VPI, Yellow*hammer, FKB and Saatchi.* The company was even treated to a 5p rise in its share price to 178p yesterday. GGT has always styled itself as a staid, sensible member of the sector. So far its staidness and sense have paid off. The only cloud of doubt is whether it should have run the risk of burdening itself with long term debt and defered *payments* in its US acquisitions, when the position of the UK advertising market is so precarious. The City expects another increase in pre-tax profits to £9.5m this year. But the shares show little prospect of improvement – from a paltry prospective p/e of 5½ – while sentiment towards the sector is still so sour.

Vishay queries TT share value

By Jane Fuller

VISHAY Intertechnology, the US maker of electronic components bidding £31m for Crystalate, a similar UK company, has questioned the *value of the* shares of TT Group, its rival in the takeover battle.

In the offer document sent out yesterday, Vishay confirmed its offer of 80p cash or a limited share alternative, *which it said was worth about* 93p per Crystalate share. Crystalate closed at 81p.

Vishay said TT's share price might fall if its bid succeeded because the industrial holding group, which had no experience of Crystalate's business, would be acquiring it on a prospective p/e of more than 30.

Vishay also stressed its long-standing commercial relationship with Crystalate and the technological and marketing advantages of the companies combining. Its size would mean *that it could absorb* Crystalate, with its current trading problems, more easily than the smaller TT could.

Vishay, listed on the New York stock exchange, has also offered one of its new shares (limited to 1.5m) *for* every 14 Crystalate.

TT, which has made a 7-for-10 offer with a partial cash alternative, said it had a record of turning round loss-making acquisitions and improving the performance of profitable ones.

It also questioned whether *the Office of Fair Trading* would clear the Vishay bid because joining with Crystalate would give it more than 30 per cent of the UK resisistors market.

The OFT has postponed the announcement of its verdict until July 9. TT, which earlier this week owned or had acceptances for nearly 18 per cent of Crystalate's equity, said it would probably again extend its offer from June 29 until after the OFT pronouncement.

TT's all-share offer values Crystalate's shares at 93.8p on TT's closing price of 188p. The partial cash alternative is five TT shares and £3.60 cash for every 12 Crystalate.

Crystalate has rejected both offers, but made it clear it would rather be taken over by Vishay.

COMMODITIES AND AGRICULTURE

France imposes, then lifts, import ban on Belgian pigs

By Tim Dickson in Brussels

SENSITIVITIES over animal disease in the European Community were exposed again yesterday when France suddenly banned imports of Belgian pigs.

However, the ban was lifted at midnight after new measures to combat classical swine fever were quickly agreed.

The decision to close the border was taken in Paris after Wednesday's discovery of three new cases of swine fever, one of them in the Ypres region near the French frontier, bringing to more than 80 the number of outbreaks in Belgium this year.

EC approved measures to combat the disease – including compulsory slaughtering in certain areas – were confirmed last month, but it is understood that the French were concerned among other things about the movement of pig consignments across the affected zones.

Fears of a new trade crisis only two weeks after the EC painfully persuaded France, Germany and Italy to revoke their bans on imports of British beef were quickly dispelled last night after the EC's veterinary management committee agreed to merge Belgium's original "buffer" and "surveillance" zones.

This means that all exports of pigs and pig products will be prohibited in an area which includes all of West Flanders, most of East Flanders except the easternmost part, and half of the Antwerp region.

The French authorities said they were satisfied with this response and that they would lift their ban. Along with the Dutch they announced that they intended to carry out blood tests on pig herds near the Belgian border, to ensure the disease had not spread.

Brussels officials are relieved that the immediate problem has been quickly resolved – but they realise that the latest dramas will do little to improve the atmosphere ahead of Monday's important meeting of EC Agriculture Ministers in Luxembourg.

Both the European Commission and the Irish Presidency are hoping to reach agreement on several measures designed to advance the cause of a genuinely single market in animals and animal products. Chief among these is a controversial plan to abandon the practice of vaccination against foot and mouth disease in favour of a compulsory slaughter policy.

Until last month only Belgium was proving reluctant, but EC experts believe France may also have become more sceptical recently in the light of the Belgian experience with classical swine fever.

BSE, or "mad cow" disease, may be present in European countries other than the UK and Ireland, Mr Ray MacSharry, (above) the European Community agriculture commissioner, said in London yesterday, writes Our Commodities Staff.

The disease – bovine spongiform encephalopathy – is believed to have been spread to cattle through feed containing the remains of sheep suffering from scrapie, a similar affliction.

"Now we have found the causes of BSE we can begin to eliminate them," he said after addressing a council meeting of the National Farmers Union. "But where such practices were applied, as in a number of countries in the EC other than the UK, then it would be expected that BSE would arise."

Measures in place to combat BSE and protect public health would be sufficient and there was no cause for concern, Mr MacSharry said.

CFTC may exempt Brent from its rules

By Steven Butler

THE US Commodity Futures Trading Commission appears to be inching towards granting the forward market for North Sea Brent crude oil formal exemption from its regulatory authority.

The Commission late on Wednesday directed its staff to draft a statutory interpretation for its consideration based on a staff report indicating that contracts in the market were covered by the so-called forward market exclusion of the Commodity Exchange Act.

The act requires the CFTC to regulate futures markets, but exempts coverage for forward contracts which are used as a vehicle for delivery of a commodity.

A statutory interpretation is the strongest action the CFTC can take and would be a clear sign that the CFTC aims to allow the Brent market to carry on more or less as in the past, under a loose regulatory regime drawn up by Britain's Securities and Investments Board. Alternatively, the CFTC may have adopted a weaker "no action" ruling which would have had less standing in the US courts.

The possibility remains that a CFTC ruling could be challenged in the courts. A successful challenge could make forward contracts on the market both illegal and unenforceable.

The CFTC action comes in the wake of a US district court ruling in April which found that the Brent forward market was a US futures market subject to CFTC jurisdiction. This was on the grounds that most deals in the market were struck for the purpose of hedging and speculation and because a large percentage of the deals involved US-based companies.

The UK Government protested that this ruling was contrary to international law and implied a jurisdictional reach that was damaging to British national interests, insofar as US jurisdiction could be found to apply to deals struck between UK-based traders.

The US court ruling led to a drop in trading volume in the market as European companies shunned deals with US partners. Exxon, on the advice of its lawyers, withdrew from the market, although has since resumed trading outside the US.

The case itself, a suit by Transnor, a Bermuda-registered trading company, against four oil companies, was settled out of court last month. The settlement threw up the possibility of appeals against the establishment of US jurisdiction and challenges to the finding that the Brent market was a US futures market.

Panning Canada's Golden Triangle

Robert Gibbens looks at the prospects for gold in British Columbia

THE remote exploration centres of Iskut, Eskay, Sulphurets and Galore Creek in north west British Columbia were, until two years ago, said to form the 'Stikine Arch', after the stunning Stikine River.

Mining and investment people in Vancouver, Toronto Montreal and elsewhere now call the area, near the Alaska Panhandle, Canada's Golden Triangle, hoping it may one day eclipse the rich gold potential of Northern Ontario's Hemlo producing region.

But as the contest between Placer Dome and Corona Corp for the C$500m (£247m) Eskay Creek gold property seems to be drawing to its conclusion this week, many analysts are reminding over-enthusiastic investors about the realities.

It is not only the remoteness of the Golden Triangle, that concerns them – a gravel road into the Eskay Creek area will not be ready until next year.

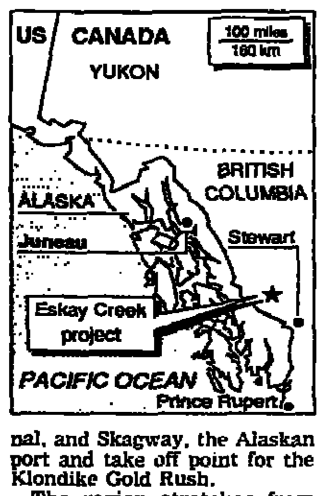
They also point out that, although it is a world class gold find, several years must elapse before production can begin and a development plan has yet to be made.

Cominco's big Red Dog zinc-silver property in north west Alaska was as remote from infrastructure and took a decade from drilling to production.

Eskay Creek's drill-indicated reserves of 6.49m tonnes of ore grading 0.535oz per tonne gold and 14.13oz silver were based on 208 drill holes. To date, more than 600 holes have been completed and six drills are working on the property.

Recovery rates have been estimated at 90 per cent for two key mineralised zones, using conventional grinding and recovery techniques. However, more metallurgical testing of core samples is under way at Lakefield Research in Ontario.

The Golden Triangle, which may one day host five or six gold mines, lies roughly between Prince Rupert, the western terminus of Canadian National Railways and a major resource products export terminal, and Skagway, the Alaskan port and take off point for the Klondike Gold Rush.



The region stretches from Stewart, north west along the US-Canada border and then north east along a gravel road linking Stewart with Cassiar, all within the Coast Range Mountains. Elevations range up to 9,000ft. Steep valleys are subject to massive rock and ice landslides and flooding. Snowfall is heavy in the six-month winter.

Men and supplies move into Iskut-Eskay-Sulphurets camps by fixed-wing aircraft to six airstrips and then by helicopter to individual properties. The road will go in via the Iskut Valley.

The Golden Triangle covers about 6,000 sq miles. It has not previously been explored extensively because of its remoteness and the high cost of moving in men and equipment by air. The cost of the present exploration effort is estimated at well over C$100m.

More than 20 separate drilling programmes are being operated by about 40 companies, trying to build on Eskay Creek's success, first revealed last year.

Entry of the big mining companies, such as Minorco, Noranda, Cominco-Teck, American Barrick, Lac Minerals, and Westmin have speeded exploration and provided much more financial muscle. Many base metals mines have also been created.

Growing demand for Guatemala's coffee

By Tim Coone in Guatemala City

GUATEMALAN coffee exporters are in no hurry to see a return of the International Coffee Agreement (ICA) and the export quota system, and have adopted an aggressive marketing policy to take a bigger share of the world market.

"We are quite happy without the quota system as we are now able to sell 100 per cent of our harvest," said Mr James McSweeney, the president of the Guatemala National Coffee Association (Anacafé). Last year he said Guatemala was putting one bag of coffee into stocks for every bag it was exporting. Stocks have now been cleared and most of the 1989/90 harvest has been sold.

"We are not against a quota system as long as we get an adequate quota which reflects our true participation in the market," said Mr McSweeney. Between June 1989 and May 1990 Guatemala exported 4.1m 60kg bags of coffee for a value of $409mn, compared to 2.3m bags for a value of $353m during a similar period a year before. "That is the real demand for our coffee and not the 1.8m bag quota we had before," he said.

Guatemala is Central America's biggest "other milds" coffee producer. With Mexico, it has been the biggest beneficiary of last July's collapse of the ICA.

According to Anacafé figures presented to US Trade Department officials last month, Guatemala has more than doubled its sales of coffee to ICO members from 3.26 per cent of total sales to 6.55 per cent, in the eight-month period of July 1989 to February 1990. During the same period, Mexico has experienced even higher growth, from 4.13 per cent to 10.1 per cent of total exports to ICO members.

The African and Far Eastern Robustas and Brazilian coffees have suffered the biggest falls in exports, according to the Anacafé figures.

Guatemala sends 70 per cent of its exports to the US and West German markets, followed by Holland, Canada and Japan, and a marketing drive is under way to expand sales further.

"We have hired marketing firms in the US, Europe and Japan to emphasise the quality of our gourmet coffees, which represent 60 per cent of our total production," said Mr McSweeney. He said that Guatemala's strategy is to concentrate Guatemalan production on high quality varieties in 20 micro-climates producing a range of flavours which can stand on their own in the market place without blending. "We are starting with five regions," he added.

Low-quality coffee plantations below 3,500 feet altitude are to be gradually grubbed out and substituted with other crops, while those above 3,500 feet will be replanted with high quality coffee varieties with the assistance of a $25m (£14.5m) loan from the US Agency for International Development (AID).

In future negotiations for a new ICA, Guatemala will insist on a substantially higher quota, and a change in the "verified stocks" system, said Mr McSweeney. He wants a future stock verification system to employ internationally-recognised accounting firms to carry out surprise checks, and for stocks older than two years not to be included in total stock figures.

"Countries with large stocks are assigned larger quotas, but many of their older stocks are completely unsaleable, affecting countries like ourselves which have high quality coffee to sell," he said.

Batteries raise consumption of cadmium

By Kenneth Gooding, Mining Correspondent

THERE WILL no quick and widespread substitution for cadmium, the London-based Cadmium Association, said yesterday in response to recent market suggestions that this might be the case.

The association, which brings together more than 30 producers and consumers of the metal, pointed out that worldwide consumption of cadmium rose by 7 per cent last year to a new peak of about 18,500 tonnes.

It was the fourth successive year that consumption increased. Production, meanwhile, fell last year by about 5 per cent to 16,400 tonnes.

The very strong growth in recent years in demand for nickel-cadmium rechargeable batteries – used to power portable electronic equipment such as telephones, computers and video recorders – has fuelled the remarkable upsurge in demand.

Senators fight over rate of subsidies for US farmers

By Nancy Dunne in Washington

SENATE Democrats and Republicans have been locked in battle this week in the agriculture committee over attempts by populist Democrats to raise the level of government support to be provided to US farmers through the 1990 farm bill.

In the House, where the bill could go to the floor next week, the agriculture committee settled the issue by freezing most subsidies at their current levels.

In the Senate the dispute centres on an attempt by Democrats to institute "marketing loans" for several commodities which pay farmers direct subsidies if they fail to get a pre-established price from the market. Under one proposal, farmers would be guaranteed $1.96 (£1.13p) a bushel for maize and $2.44 a bushel for wheat.

Democrats argue that marketing loans prevent accumulations of stocks. However, by dumping cheap commodities on the world market, they undermine world prices. This is opposed by the Bush Administration, which is trying to convince the European Community to phase out its own export subsidies in the Uruguay Round of international trade talks.

Most of the controversy over the bill, which must be completed before Congress adjourns this year, has been generated by environmental groups, which have sought more restrictive conservation provisions. Nost of these disputes have been settled by compromise, although the environmentalists may take the issue to the full House and Senate where they have more support.

The expiring 1985 farm bill was written in an atmosphere of severe farm recession, low prices, surpluses and bankruptcy. The crisis atmosphere is missing now. In fact, the US Agriculture Department this week issued new forecasts that the year may produce record farm income.

Italians alarmed at risk of increasing plant infections

By John Wyles in Rome

LEADING figures from the world of Italian agriculture yesterday sounded the alarm about the dangers of lower standards of plant health protection posed by the opening of the European Community's internal market.

At a round table organised partly to alert the Italian Government to the problem as it prepares to take over the EC presidency on July 1, strong fears were expressed that the Italian fruit, vegetable and wine industries might be exposed to greater risk of plant infections than under present arrangements.

The Italian experts were reacting to the European Commission's intention to modify a 1977 directive which permits national controls in support of plant health regulations. The Commission is expected to propose the abolition of such controls and to require producer countries to provide certificates guaranteeing freedom from infection when plants, vegetables and fruits are exported. The plan also envisages the creation of an EC team of inspectors to ensure the maintenance of technical health standards.

Senator Alfredo Diana, a plant health expert, said that any relaxation of controls could cause "irreparable damage" to entire sectors of Italian agriculture. In recent years, there had been outbreaks of various bacteria affecting vineyards and apple orchards in parts of northern Europe which, if they reached Italy, would destroy growing activities in regions such as Emilia Romagna in a very few years.

Several speakers pointed to California, which has recently banned fruit imports from Florida because of the risk of infection to its own industry.

WORLD COMMODITIES PRICES

MARKET REPORT

ZINC prices recovered in kerb trading on the LME yesterday after falling below the important chart support point of $1,600 a tonne for three-month metal during the day. Early on, three-month zinc went as low as $1,590 after a burst of speculative selling. But good trade buying, some on producer account, and short covering later reversed the trend. A close below $1,600 a tonne would have signalled a further $50 tonne fall, according to some chartists. Copper prices were steady, aided by trader talk of a possible small decline in LME warehouse stock returns today after earlier general forecasts of a 5,000 to 10,000 tonnes increase. Gold closed on the London bullion market at $349 a troy ounce, $1 ahead. Dealers said business was subdued as investors remained unconvinced the market would mount a lasting rally. However, if spot prices were to hold above $350, some customer interest could be reawakened. Concern over threatened strike action by South African mineworkers has limited the market's downside potential for the moment. On the BFE freight futures were again down. Dealers said physicals showed fresh signs of weakening further.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.45-3.55w	-0.10
Brent Blend	$15 55-5.65w	-.125
W.T.I. (1 pm est)	$16.76-6.78w	-0.12

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$218-220	
Gas Oil	$145-146	+1
Heavy Fuel Oil	$62-64	+1
Naphtha	$139-141	+3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$350	+2
Silver (per troy oz)♣	486c	+4
Platinum (per troy oz)	$478.75	+6.15
Palladium (per troy oz)	$114 10	+1 00
Aluminium (free market)	$1545	-5
Copper (US Producer)	118½c	
Lead (US Producer)	45c	
Nickel (free market)	405c	+10
Tin (Kuala Lumpur market)	16.47r	-0 05
Tin (New York)	288c	-1
Zinc (US Prime Western)	87½c	
Cattle (live weight)†	107.67p	-3.06*
Sheep (dead weight)†	149.67p	-17.8*
Pigs (live weight)†	108.75p	-1.16*
London daily sugar (raw)	$314.9t	-1.2
London daily sugar (white)	$387t	-2
Tate and Lyle export price	£295	-1
Barley (English feed)	£114.5w	
Maize (US No. 3 yellow)	£146	+1
Wheat (US Dark Northern)	£124.5	
Rubber (Jul)♥	54.50p	-0.25
Rubber (Aug)♥	55.00p	-0.25
Rubber (KL RSS No 1 Jul)	233m	+1
Coconut oil (Philippines)§	$317.5t	
Palm Oil (Malaysian)§	$275.0q	+2.5
Copra (Philippines)§	$215w	
Soyabeans (US)	£157	
Cotton "A" index	89.70c	-0.10
Wooltops (64s Super)	485p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg q-Jul. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	281.20	266.00	285.80 276.00
Oct	278.20	281.40	281.40 273.00
Dec	280.00	282.00	285.00 275.00
Mar	267.80	270 00	270.40 262.60
May	267.80	270.00	270.00 267.00
Aug	266.40	270.00	270.00 263.00
Oct	266.00	267.00	267.00 264.00
White	**Close**	**Previous**	**High/Low**
Aug	378.0	380.0	380.5 373.5
Oct	356.0	360.0	360.5 354.0
Dec	349.5	353.0	354.0 347.0
Mar	344.0	348.5	349.0 340.5
May	341.5		345.5 344.0
Aug	340.5		343.0

Turnover: Raw3016 (1482)lots of 50 tonnes. White 2006 (1144)
Paris- White (FFr per tonne): Aug 2108, Oct 2005 Dec 1970, Mar 1960, May 1950

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Aug	15.60	15.65	15.91 15.50
Sep	16.05	16.20	16.35 15.98
Oct	16.60	16.40	16.60
Dec	16.85	16.50	16.95
IPE Index	15.59	15.73	

Turnover: 12078 (3653)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Jul	143.25	142.75	144.25 142.50
Aug	143.50	144.00	145.00 143.50
Sep	146.25	147.00	147.50 146.00
Oct	149.75	151.00	151.00 149.25
Nov	151.25	152.75	153.00 151.25
Dec	153.75	154.50	155.00 153.00
Jan	153.25	153.00	155.00 153.00

Turnover 6119 (6139)lots of 100 tonnes

FRUIT & VEGETABLES
Juicy peaches and nectarines are abundant this week at 10-30p each (10-30p), reports the FFVIB. The English cherry season has begun and supplies are available at £1.20-1.30 a lb, with French varieties at £1.20-1.50 a lb (£1.20-1.50). Lemons are good value at 8-18p each as are oranges at 8-20p each. New potatoes are excellent value with English varieties at 10-14p a lb (10-20p). Carrots are abundant at 24-35p a lb (24-36p). Tomatoes are a star buy at 35-45p a lb (38-75p) and celery is still good value at 40-70p a head (40-70p). Spring onions are plentiful at 20-35p a bunch (25-35p) as are cucumbers at 50-70p each.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	786	778	786 782
Sep	787	802	815 785
Dec	817	829	841 812
Mar	838	852	863 836
May	861	872	880 860
Jul	881	891	893 876
Sep	898	911	916 894

Turnover: 5363 (7183) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 20 1014.18 (1003.45) 10 day average for Jun 21 1003.88 (1003.68)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	575	577	585 571
Sep	600	597	604 592
Nov	619	618	622 611
Jan	637	638	640 631
Mar	653	657	654 648
May	672	680	670 666

turnover: 3769 (6567) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 20: Comp. daily 68.22 (70.12). 15 day average 71.25 (71.64)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Nov	91.0	88.5	92.0 89.0
Apr	123.7	123.1	126.5 122.0
May	137.0		135.0

Turnover 287 (270) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Oct	115.50	115.00	115.50

Turnover 20 (100) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Jun	1130	1133	1130
Jul	1012	1035	1028 1015
Oct	1081	1100	1100 1080
Jan	1100	1118	1115 1100
Apr	1105		1120 1110
BFI	1159	1169	

Turnover 331 (589)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Jun	120.50	120.60	120.50 119.85
Sep	112.30	112.85	112.60 112.00
Nov	116.40	116.95	116.70 116.00
Jan	120.10	120.70	120.00
Mar	123.60	124.15	123.30
May	127.00		127.00
Barley	**Close**	**Previous**	**High/Low**
Sep	111.10	111.30	111.10 111.00
Nov	115.35	115.45	115.35 115.25
Jan	118.40		118.30
Mar	121.50	121.60	121.45
May	122.60		122.70

Turnover: Wheat 170 (163), Barley 64 (52).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	125.3	125.1	125.0 124.0
Oct	123.5	123.5	

Turnover 100 (208) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 10,258 lots
Cash	1546-8	1539-41		1544-5		
3 months	1567-8	1564-5	1569/1562	1565-6	1568-9	43,163 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,449 lots
Cash	1465-7	1460-3	1477/1475	1475-6		
3 months	1446-7	1445-6	1457/1444	1454.5-5.5	1450-1	60,440 lots
Lead (£ per tonne)						Total daily turnover 1,912 lots
Cash	483-5	485-6		483-4		
3 months	490-1	491-2	492/488	489-90	492-3	9,871 lots
Nickel ($ per tonne)						Total daily turnover 2,910 lots
Cash	8800-25	8750-800	8725	8700-10		
3 months	8800-10	8775-800	8825/8675	8725-50	8815-20	8,234 lots
Tin ($ per tonne)						Total daily turnover 1,056 lots
Cash	6155-65	6170-80	6180/6155	6155-65		
3 months	6270-7	6290-300	6290/6260	6260-70	6268-9	5,750 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,591 lots
Cash	1653-7	1680-5	1678/1676	1675-8		
3 months	1598-600	1612-5	1617/1586	1610-2	1605-8	18,768 lots

LME Closing £/$ rate:
SPOT: 1.7247 3 months: 1.6977 6 months: 1.6740 9 months: 1.6530

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	349¾-350¼	202¾-203¼
Opening	350-350½	203-203½
Morning fix	350.00	203.193
Afternoon fix	349.75	203.024
Day's high	350-350½	
Day's low	349½-350	
Coins	**$ price**	**£ equivalent**
Mapleleaf	358-363	207½-210½
Britannia	358-363	207½-210½
US Eagle	358-363	207½-210½
Angel	358-363	207½-210½
Krugerrand	349-352	202-204
New Sov.	82-84	47½-49
Old Sov.	82-84	47½-49
Noble Plat	484.50-492.20	281.35-285.80
Silver fix	**p/fine oz**	**US cts equiv**
Spot	280.85	483.75
3 months	291.30	493.90
6 months	301.90	504.35
12 months	332.90	526.65

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1450	108	125	1	9
1550	23	56	17	39
1650	1	19	94	99
Copper (Grade A)	**Calls**		**Puts**	
2400	129	106	2	48
2500	48	57	22	96
2600	10	27	82	164
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
550	69	84	13	16
600	33	53	33	35
650	16	32	66	64
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
750		106		40
800	33	78	47	62
850	18	58	82	92
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1550	60		28	
1600	26	68	40	53
1650	13	47		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	350.7	350.5	351.0	349.8
Jul	351.0	350.9	0	0
Aug	353.1	353.1	353.5	351.8
Oct	357.5	357.5	357.7	356.5
Dec	362.0	362.0	362.5	361.0
Feb	366.6	366.5	366.9	366.3
Apr	371.0	370.9	0	0
Jun	375.5	375.4	0	0
Aug	380.0	379.8	0	0

PLATINUM 50 troy oz. $/troy oz.

	Close	Previous	High/Low	
Jul	480.5	482.1	481.1	477.5
Oct	486.5	488.0	487.0	484.0
Jan	490.5	493.5	492.0	490.5
Apr	495.5	498.8	498.5	495.5
Jul	504.5	503.8	504.5	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	482.4	483.2	484.5	483.0
Jul	483.2	484.2	486.5	482.0
Aug	487.0	488.0	0	0
Sep	491.2	492.2	494.5	490.1
Dec	502.2	503.2	505.0	501.0
Jan	505.5	506.5	507.8	507.3
Mar	512.9	513.9	516.0	513.5
May	520.2	521.2	522.0	519.0
Jul	527.6	528.6	530.0	527.5
Sep	535.5	536.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	111.00	110.45	111.50	110.50
Jul	110.60	109.85	111.00	109.40
Aug	110.00	108.85	110.00	108.90
Sep	108.60	107.40	108.70	107.30
Oct	107.35	106.15	0	0
Nov	106.15	104.60	0	0
Dec	104.90	103.65	104.90	103.50
Jan	103.95	102.70	0	0
Mar	101.50	100.35	100.35	0
Apr	101.00	99.85	99.85	99.85

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	16.63	16.75	17.15	16.57
Oct	17.96	18.02	18.30	17.83
Nov	18.34	18.39	18.63	18.25
Dec	18.63	18 69	18.95	18.58
Jan	18.83	18.88	19.15	18.79
Feb	18.97	19.02	19.20	18.93
Mar	19.07	19.12	19.26	19.00
Apr	19.22	19.21	19 40	19.15

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4785	4784	4810	4750
Aug	4820	4804	4860	4775
Oct	5080	5105	5140	5065
Nov	5200	5225	5270	5190
Dec	5310	5339	5385	5300
Jan	5360	5385	5425	5355
Feb	5335	5355	5400	5330
Mar	5175	5180	5185	5175

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1185	1231	1255	1180
Sep	1204	1263	1280	1201
Dec	1239	1297	1316	1235
Mar	1271	1326	1337	1270
May	1281	1343	1355	1281
Jul	1305	1362	1370	0
Sep	1323	1380	1385	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	86.65	85.85	87.60	85.85
Sep	89.30	89.10	90.40	88 75
Dec	92.75	92.40	93.55	92 05
Mar	95.85	95.25	96 30	95.25
May	97.70	97.05	98 45	98 00
Jul	100.50	98.50	101.30	99.40
Sep	103.00	100.50	0	0

SUGAR WORLD "11" 112,000 lbs, cents/lbs

	Close	Previous	High/Low	
Jul	12.58	12.74	12.66	12.38
Oct	12.45	12.58	12 50	12.21
Mar	12.05	12.15	12.07	11.83
May	12.01	12.11	12.01	11 86
Jul	11.87	11.99	11.89	11.83
Oct	11.80	11.90	11.80	11.80

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	80.50	80.53	81.10	80.15
Oct	77.60	77.65	77.75	77.25
Dec	73.85	73 67	74.09	73.30
May	75.00	74 70	74.80	74.20
Jul	74 60	74.30	74.60	74.20
Oct	69.99	68.88	68.80	68.80

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	179.15	174.00	179.90	175.00
Sep	171.85	168.70	173 00	169.70
Nov	166.80	163.50	168.00	165.50
Jan	165.55	162.50	166.50	164.00
Mar	165.55	162.55	166.50	163.50
May	164.50	161.55	166 00	166.00
Jul	164.50	161.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)	Jun 21	Jun 20	mnth ago	yr ago
	1834.4	1844.3	1920.7	2024.3
DOW JONES (Base: Dec. 31 1974 = 100)	**Jun 20**	**Jun 19**	**mnth ago**	**yr ago**
Spot	130 93	131.11	135.65	133.81
Futures	130.94	131.09	133.17	132.44

Chicago

SOYABEANS 5,000 bu min, cents/60lb bushel

	Close	Previous	High/Low	
Jul	603/2	598/0	603/4	596/0
Aug	609/6	605/2	610/4	603/0
Sep	614/6	609/2	615/0	607/0
Nov	623/0	617/4	624/0	615/6
Jan	634/0	628/6	634/0	627/0
Mar	645/0	639/0	645/0	628/4
May	654/0	649/4	654/0	648/4
Jul	663/0	656/4	663/0	656/0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	Previous	High/Low	
Jul	24 16	24 02	24 20	23 84
Aug	24 06	23 90	24.08	23 73
Sep	23 93	23 75	24 00	23 62
Oct	23 70	23 56	23 75	23 45
Dec	23 57	23.32	23 60	23 15
Jan	23 40	23.15	23 47	23 00
Mar	23.10	22 86	23 40	22 90
May	22.95	22.80	23 25	22 75

SOYABEAN MEAL 100 tons, $/ton

	Close	Previous	High/Low	
Jul	174 6	174 0	174 9	173 7
Aug	176 4	175.5	176.6	175 1
Sep	178.1	177 6	178.5	177 1
Oct	180.1	179 2	180 2	179 0
Dec	183 6	183 1	183 9	182 7
Jan	184.5	183 7	184 9	184 0
Mar	187 5	186.7	187 5	186 0
May	189.0	188 4	189 0	188 5

MAIZE 5,000 bu min, cents/56lb bushel

	Close	Previous	High/Low	
Jul	295/0	285/2	286 0	282/2
Sep	282/4	282/2	283/2	280/6
Dec	280/6	279/0	281/0	277/0
Mar	287/0	284/2	287/0	283/4
May	290/0	287/0	290.0	286 0
Jul	292/0	289/0	292/4	289/6
Sep	279/4	277/2	280/0	279/0
Dec	270/0	267/0	271/4	268/4

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Previous	High/Low	
Jul	338/2	334/4	338/4	333/4
Sep	340/6	338/2	341/0	337/2
Dec	353/6	350/6	354/0	350/0
Mar	360/0	357/0	360/0	356/0
May	353/4	350/0	354/0	351/0
Jul	348/0	346/0	349/0	348.0

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	Previous	High/Low	
Aug	74 05	74 05	74 22	73 45
Oct	75 60	75.60	76 05	75 22
Dec	75.47	75.47	75.85	75 12
Feb	75.10	75 10	75 37	74 95
Apr	76.20	76 12	76 30	75.00
Jun	73.07	73.12	73 40	73 00

LIVE HOGS 30,000 lb, cents/lbs

	Close	Previous	High/Low	
Jul	58 72	59.32	59 50	57 82
Aug	57.17	57 60	57 60	56 15
Oct	51.07	51.60	51.50	50 27
Dec	50 27	50.95	50 95	49 95
Feb	48.25	49.00	48 80	47 60
Apr	45.85	46 40	46.50	45.70
Jun	49.00	49 55	49.70	48.80
Jul	49.05	0	49.40	49.05

PORK BELLIES 40,000 lbs, cents/lb

	Close	Previous	High/Low	
Jul	61.40	63 40	62.40	61 40
Aug	59 67	61.67	60 15	59 67
Feb	56 35	58 35	57.80	56.35
Mar	55 95	57.95	57.15	55.95
May	56.80	58.60	56.80	56 60

The Noh Mask is a tradition of The Noh Theatre in Japan. This is the mask of Ko-omote, a gentle young beauty.

MADE IN JAPAN

Bright and early on June 5th the first Tokyo edition of the FT was on the desks of the business community there.

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LONDON STOCK EXCHANGE

Food issues enliven uncertain market

A LONDON stock market lacking a clear lead from Tokyo and New York moved erratically yesterday and ended the session little changed from overnight levels.

Trading volumes were unimpressive but a handful of Seaq stocks again provided the features. The final hour of trading was enlivened by speculative excitement in the food manufacturing sector on the news that shares in Jacobs Suchard, the chocolate and sugar group, will be suspended on Swiss markets today.

Equities were helped by a firm pound, although there was no immediate reaction from the stock market to the proposal by Mr John Major, the UK Chancellor of the Exchequer, for the creation of a "hard" Ecu. A weaker performance in UK Government bonds also helped to restrain an uncertain equity sector

The market fell by 10 FT-SE points in early trading, in part reflecting a sharp fall in Wellcome on adverse reports on its Retrovir drug from an Aids conference in San Francisco. Also discouraging was another batch of company profit markdowns from leading securities houses.

Selling of defence stocks, hit this week by planned cuts in the UK defence budget, died away yesterday, although there was little recovery in prices. Bank issues remained under a cloud following the recent profits downgradings. But ICI, weak on Wednesday on a Federal suit against its US unit, held steady in calmer trading as the market awaited news.

With institutions still unwilling to sell stock and market-makers happy to buy at lower levels, share prices rallied. A round of minor gains was as much as the slim trading volume would support, however, and the Footsie returned to minus territory as London grew nervous ahead of the opening on Wall Street, which was 15 Dow points off as the UK market closed.

The FT-SE Index finished at 2,370.3, down 0.9 on the day. Seaq volume fell to 415.4m shares from the 436.8m of the previous session. The Seaq turnover, which includes both customer and inter-market trade, has been low this week but has proved an unconvincing guide to investment business. International Stock Exchange statistics showed that customer business jumped to £1.2bn on Tuesday, after returning to below the £1bn figure at the end of last week.

The announcement that Suchard shares are to be suspended prompted speculation that a massive shake-up in the European food business may be under way, perhaps by a move against Suchard from the US. But sharp gains in Cadbury-Schweppes and in United Biscuits were viewed with suspicion by market dealers, who said some of the buying was for the new trading account which opens next week.

Account Dealing Dates		
*First Dealings:		
Jun 11	Jun 25	Jul 9
Option Declarations:		
Jun 21	Jul 5	Jul 19
Last Dealings:		
Jun 22	Jul 6	Jul 20
Account Day:		
Jul 2	Jul 16	Jul 30

*New-time dealings may take place from 9.30 am two business days earlier.

Wellcome out of favour

WELLCOME shares continued in dismal mood as analysts followed the recent downgrading by S.G. Warburg, the company's broker. Mr Ian White at Kleinwort Benson moved his forecast for the current year to £345m from £370m in line with Warburg's.

Mr White noted that at a meeting in San Francisco, the venue for an annual Aids conference this week, Wellcome said that doses of Retrovir, the company's Aids treatment, could eventually be halved for some patients.

Mr Steve Plag and Mr Jonathan de Pass at BZW said they disagreed that falling doses were a problem for Wellcome revenues. They said, instead, that Wellcome's weakness yesterday might have been a result in part of the sharp rise on the Japanese stock market of Daiichi Seiyaku.

Daiichi has made a presentation in San Francisco on a drug which, it claims, kills the Aids virus, said Mr Plag. Retrovir does not kill the virus, but blocks its action. He believed that the Daiichi Seiyaku drug, DR3355, was unlikely to come to the market because it had only shown its efficacy in the test tube. "So far the vast majority of test tube drugs have fallen by the wayside."

Inspired by Suchard

Cadbury-Schweppes and United Biscuits rose sharply on stories circulating in Swiss stock exchanges that Mr Klaus Jacobs, majority shareholder in Jacobs Suchard, the coffee and chocolate group, was selling his controlling stake to Philip Morris, of the US.

After trading closed in Switzerland, the Zurich Stock Exchange said that trading in Jacobs Suchard shares would be suspended from today pending an announcement.

Most London analysts said the improvement in Cadbury and UB was a knee-jerk reaction. Mr Mark Duffy at S.G. Warburg said the shares would lose ground as the market got to grips with just how competitive the European confectionery market was. Other analysts echoed this assessment. They said that Cadbury, being in direct competition with Philip Morris-Suchard, was the more vulnerable to a reversal of the share price rise.

However, Mr David Lang at Henderson Crosthwaite said he was not surprised to see the resurgence of speculative buying of Cadbury and UB. "It is hard to find a better fit than Cadbury and Suchard, and the internationalisation of the industry will continue."

Both stocks rose 17, Cadbury to 364p and UB to 374p. Turnovers were unexceptional at 4.4m and 2.7m respectively.

Courtaulds wanted

Courtaulds prospered as the market began to recognise the increasing value of the group's growing packaging business in the wake of the Swedish bid for Reedpack. The multiples of the Reedpack deal, some 20 times historic earnings, provided fresh evidence of the high valuations now being placed on European paper and packaging businesses. Industry analysts think that the current rash of merger moves will continue.

US operators also bought stock of Courtaulds. This followed the decision by Du Pont, of the US, to pull out of the acrylic fibres market. Substantial rationalisation of the acrylic industry worldwide has been on the cards but it had been expected to begin in Europe. Courtaulds shares traded quite actively and closed 4 up at 365p after touching a high for the year of 372p.

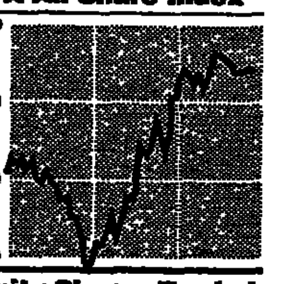
Broadwell fluctuate

A new shadow fell across the London property development sector yesterday, but lifted somewhat after the market took a closer look at the situation concerned. Broadwell Land demonstrated its vulnerability to adverse speculation, falling to 38p before rebounding to end only 4 lower on balance at 50p; in January the shares stood at 225p following a takeover approach.

The latest rumours suggested payment might not be met on an accepted certificate of practical completion on part of the pre-sold second phase at the company's Plantation Wharf development. However, there appeared to be no new reason for these doubts,since only last Friday directors said payment on this part of the contract was expected soon. The buyer was believed to be a private US concern.

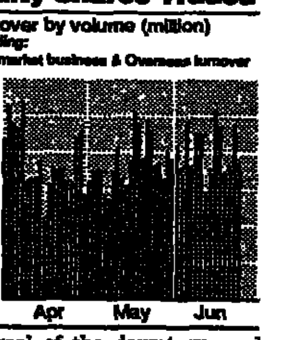
A more logical explanation for yesterday's early weakness in Broadwell was an attempt by a securities house to dispose of 50,000 shares. The market became nervous and "new-time" selling (stock sold for settlement on the July 16 Account Day) was aroused. However, the appearance of an institutional buyer signalled a reversal of the downturn, and the hurried closing of short positions opened earlier.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



The rout of defence-related stocks was halted after the mauling of the past two days. As selling pressure eased some issues attempted to regain ground, but most were able only to recover mere fractions of their losses.

British Aerospace, down 40 over the two previous days, rallied just 4 to 524p, while GEC, which experienced a fall of 20 during the same period, picked up a mere penny at 199½p. Smiths Industries recovered similarly to 244p.

The recent outperformance of Shell Transport against the oil sector was halted as news emerged that a court in Delaware, USA, had found against the Shell group of companies regarding the non-disclosure in 1985 of oil and gas reserves.That was when Shell Transport bought out the minority interest in Shell Oil, its US associate, in a deal then valued in excess of $5bn. The value of reserves not revealed was said to have totalled $1bn.

Specialists said there had been heavy selling of Shell yesterday on fears that the group could be liable for damages relating to the deal, with a story that the group's liability was in the region of $4bn said to have sparked the run on the stock.

But one analyst said Shell had already set aside an amount of money to pay for any damages figure likely to arise from the court case. It was estimated that the damages would be no more than $500m – and "there will be no big hit on Shell's earnings," said the analyst. Shell closed a net 4 off at 460p, having been down to 456p at one point. Turnover expanded rapidly to 7.4m shares, well ahead of usual levels in the stock.

BP was again one of the market's most active stocks, the shares managing a minor gain at 326p after turnover of 7.1m. British Gas could manage turnover of only 3m shares and settled a shade easier at 220½p. Ultramar dipped 4 to 333p after some determined selling which saw turnover improve to 2.7m.

Crude oil prices picked up 30 cents to $15.85 a barrel for August Brent after the shock news that Sheikh Ali Khalifa al Sabah, Kuwait's oil minister for the past 12 years, is moving to Kuwait's Foreign Ministry. Mr Philip Morgan at Laing & Cruikshank said Sheikh Ali "has been Opec's main proponent of a low price philosophy since Sheikh Yamani was sacked from Saudi Arabia's oil ministerial position.

BAA rose to its second new high in successive days in light volume. The shares climbed 11 to 446p in spite of analysts saying the run had gone too far and profits should be taken.

Analysts were baffled at Eurotunnel's fall of 52 to 433p. They said the news that the level of shareholder representation - 50 per cent of the voting rights - required to hold the extraordinary general meeting to prepare the ground for a rights issue in the autumn had not been obtained. One said this had been expected and suggested the fall was a result of further consideration of the company's recent prediction of its own projected returns.

Bank shares were quietly mixed as the market absorbed the recent deluge of profits downgrades which culminated in big cuts instigated by Morgan Stanley, the US investment bank. These were right across the board in the sector, encompassing Abbey National, TSB, the Scottish banks, the UK clearers and Standard Chartered.

Barclays remained the pick of the sector as bears continued to close their short positions in the stock; at the close, Barclays shares were marginally ahead at 403p after turnover of 1.5m. NatWest was pressurised by persistent worries about its exposure to the Donald Trump empire in the US, with the shares ending 2 easier at 339p. Midland settled 4 off at 298p on 1.1m shares. Royal Bank of Scotland outperformed the sector, edging ahead 2 to 178p.

Insurances, especially the composites which have improved recently on some rather spurious takeover stories, ran into a bout of selling which left Royal Insurance 5 down at 508p. Guardian Royal lost 3 to 241p.

Crest Nicholson, the Surrey-based housebuilding group, held at 155p. The group is scheduled to announce interim figures next Wednesday. Forecasts of the full year results were thought to have been shaded back and the new range was said to be between £12m to £15m.

BPB Industries rose 4 to 230p after late news of a £90m Spanish acquisition. The group is scheduled to reveal preliminary figures on June 28. Nomura, the Japanese securities house, expects the group to achieve pre-tax profits of £130m, against last year's £202.3m. Despite the projected steep fall in profits, Nomura's Graham Foster forecasts a marginal increase in the dividend total to 11p net, compared with 10.75p.

British Telecom recaptured the limelight in the telecoms/electronics arena, the shares moving up strongly by 5½ to 300p on 15m turnover.

STC staged a minor rally after the steep fall that followed Wednesday's profits warning, the shares firming 5 to 244p on turnover of 3.5m. A sell note issued by BZW, which reduced its profits estimates for 1990-91 from £260m to £248m and for 1991-92 from £384m to £330m, unsettled Racal Telecom, which dipped 2 to 352p. BZW's telephone networks team highlighted a sharp slowdown in the cellular radio business in April and May.

Burton was hurt by news that Investors Chronicle Hillier Parker monthly property indices, out today, showed that the capital value of retail property has fallen by 13.3 per cent over the year to May. The shares shed 5 to 155p.

GUS continued to suffer from the planned rise in postal charges. The "A" shares slipped another 19 to 1059p.

Mr Bill Currie, Hoare Govett's retailing analyst, raised his profit forecast for J. Sainsbury, which firmed 5 to 285p.

BTP, the chemical company, slipped 6 on news of a rights offer and acquisition. The shares clawed their way back during the day and ended only a penny easier on balance at 176p. The issue is on the basis of one-for-four at 140p.

Harrisons & Crosfield celebrated becoming a constituent of the FT-SE 100-share index from the first trading day in July with a rise of 4 to 178p.

J.S. Pathology, up 8 at 240p, remained popular awaiting today's annual results, while Takare moved 35 higher to 595p on the proposal to sub-divide the shares. Parkfield, however, plunged 157½ to 189p after the profits warning.

Hillsdown firmed 2 to 280p on good turnover of 9.3m shares. Hoare Govett said it placed 3.7m of the company's shares with an institution.

Davy Corporation suffered from a generally bad press on the annual results and lost 4 more to 230p, but Delta progressed as bid speculation resurfaced and added 10 at 381p.

United Industries rebounded 6 to 38p after a positive statement by the chairman and a revaluation of the company's properties, worth some 50p per share. Annual profits were lower at £2.3m, against £2.9m.

Leading properties turned distinctly dull from midday onwards and closed showing sizeable losses. Some smaller-priced concerns also twitched nervously. The main casualty was Cabra Estates, which fell 8 to 30p. Hanover Druce came back 5 to 70p, while news of slightly lower full year profits brought Erostin back 5 to 120p. But Priest Marians pulled out of the recent weakness caused by the lack of bid developments to end 15 higher at 183p.

■ Other Market statistics, including the FT-Actuaries share index, Page 27

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (54).
BRITISH FUNDS (5) AMERICANS (1) BUILDINGS (4) STORES (1) ELECTRICALS (10) ENGINEERING (5) FOODS (4) INDUSTRIALS (14) Baird (Wm.), Barry Wehmiller, Caparo Inds., Courtaulds, Eurocopy, Harrisons & Crosfield, Hutchison Whampoa, J. S. Pathology, Robertson, Shanks & McEwan, Siebe, Takare, Tomkins, Unilock, INSURANCE (1) TOBACCOS (1) TRANSPORT (3) TRUSTS (3) OILS (1) THIRD MARKET (1).

NEW LOWS (54).
AMERICANS (3) CANADIANS (4) BREWERS (1) STORES (3) ELECTRICALS (7) ENGINEERING (1) FOODS (2) INDUSTRIALS (9) ADG, Amberley, BTS, Chestergate, Cowan de Groot, Cresta, Macarthy, Parkfield, Wellcome, INSURANCE (1) MOTORS (1) PAPERS (1) PROPERTY (5) SOUTH AFRICANS (1) TRANSPORT (4) TRUSTS (2) OILS (6) PLANTATIONS (1) MINES (11) THIRD MARKET (1).

FINANCIAL TIMES STOCK INDICES

	June 21	June 20	June 19	June 18	June 15	Year ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.19	79.85	79.25	79.47	79.76	84.51	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	88.44	88.30	88.36	88.48	88.26	95.89	[illegible]	[illegible]	[illegible]	[illegible]
Ordinary Share	1905.3	1903.4	1907.4	1911.9	1925.9	1809.3	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	170.3	169.5	172.3	170.7	167.9	193.2	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 Share	2370.3	2371.2	2369.7	2370.5	2392.3	2180.0	[illegible]	[illegible]	[illegible]	[illegible]
Ord. Div. Yield	4.86	4.85	4.84	4.83	4.80	4.41				
Earning Yld %(full)	10.69	10.68	10.68	10.66	10.58	10.39				
P/E Ratio(Net)(*)	11.33	11.32	11.35	11.37	11.45	11.60				
SEAQ Bargns 4.45pm	24,245	23,688	24,841	24,314	28,233	23,721				
Equity Turnover(£m)†	-	877.52	1228.07	677.52	790.44	1722.39				
Equity Bargains†	-	22,817	27,030	22,983	27,095	29,439				
Shares Traded (ml)†	-	376.2	488.0	374.1	351.5	525.6				

Ordinary Share Index, Hourly changes — Day's High 1911.6 — Day's Low 1897.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1902.3	1898.1	1900.9	1904.6	1910.9	1911.3	1908.9	1906.0	1907.9

FT-SE, Hourly changes — Day's High 2377.1 — Day's Low 2360.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2368.2	2362.2	2366.1	2370.5	2377.0	2376.4	2372.3	2368.9	2369.6

*FE Activity 1974. †Excluding intra-market business & Overseas turnover

London report and latest Share index: Tel. 0898 123001.

GILT EDGED ACTIVITY

Indices	June 20	June 19
Gilt Edged Bargains	139.2	167.5
5-Day average	144.4	135.4

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	1,600	189	
ASDA Group	1,400	117	+2
Abbey National	944	203	
Allied-Lyons	1,700	497	-6
Amstrad	854	68	-1
Anglian Water	401	159	-4½
Argos	386	220	
Argyll Group	4,100	238	-1
Ass. Brit. Foods	36	411	+2
BAA	2,230	446	+11
BAT Inds	2,500	845	-3
BET	1,700	262	
BICC	367	455	+3
BOC	1,600	592	-7
BPB Inds	1,200	230	+4
BTR	1,500	432	-2
Barclays	1,500	403	+1
Bass	340	1083	-5
Beazer	3,700	159	-3
Berisford Int.	305	120	+1
Blue Circle	1,800	249	-1
Boots	1,300	296	-4
Brit. Aerospace	1,700	524	+4
British Airways	1,700	218	+2
British Gas	3,000	220½	-½
British Land	182	313	-7
BP	7,100	329	+1
British Steel	3,700	149½	+½
British Telecom	15,000	300	+5½
Bunzl	1,100	86	
Burmah Oil	561	842	-2
Burton	5,500	155	-5
Cable & Wire	896	547	+4
Cadburys	4,400	364	+17
Calor Group	120	270	+1
Carlton Comms	485	533	-4
Coats Viyella	4,000	126	+1
Comm. Union	1,200	521	-2
Cookson	859	212	

	Volume 000's	Closing Price	Day's change
Courtaulds	1,600	365	[illegible]
Dalgety	250	350	[illegible]
Dixons	835	150	[illegible]
ECC Group	1,000	394	[illegible]
Enterprise Oil	884	650	[illegible]
FKI	613	73	[illegible]
Ferranti	148	76	[illegible]
Fisons	7,200	362	[illegible]
Gen. Accident	115	1110	[illegible]
General Elect	5,800	199½	[illegible]
Glaxo	1,600	802	-13
Globe Inv	4,300	204	
Glynwed Int.	353	279	+3
Granada	144	245	+1
Grand Met	2,000	669	+4
GUS A	362	1059	-19
GRE	667	241	-3
GKN	804	411	+4
Guinness	1,300	792	-3
Hammerson 'A'	127	704	-9
Hanson	4,700	242½	
Hanson Warrants	2,400	62	+½
Harrisons Crosfield	4,430	178	+4
Hawker Sidd	184	667	-7
Hillsdown	9,300	280	+2
IMI	295	251	
ICI	1,400	1182	
Inchcape	880	291	+2
Kingfisher	1,500	357	+4
Ladbroke	2,100	336	+4
Land Securities	457	497	-5
Laporte	184	565	-1
Legal & General	328	410	-1
Lloyds Abbey	328	329	-1
Lloyds Bank	1,100	287	-3
LASMO	955	410	+2
Lonrho	388	262	
Lucas	2,600	158	
MB Group	182	222	+1

	Volume 000's	Closing Price	Day's change
[illegible]			
Northumbrian Water	34	169	-4
Pearson	43	774	+2
P & O	214	637	-5
Pilkington	1,000	209	-2
Polly Peck Intl	1,100	429	
Prudential	1,200	228	-3
RHM	747	350	+6
RMC	275	675	+3
RTZ	569	560	
Racal	1,500	235	-1
Racal Telecom	15	352	-2
Rank Org	304	844	+1
Reckitt & Colman	44	1212	+3
Redland	1,500	509	+2
Reed Intl	1,600	461	+3
Reuters	685	1079	+9
Rolls Royce	10,000	215	
Rothmans	801	749	+10
Ryl Bk Scotland	1,200	178	+2
Royal Insurance	570	508	-5
STC	3,500	244	+5
Saatchi	437	89	-3
Sainsbury	1,400	285	+5
Scottish & New	1,500	327	-1
Sears	5,700	93	-1
Sedgwick	167	259	-1
Severn Trent Water	566	139	-2
Shell Transport	7,400	460	-4
Siebe	440	526	+2

	Volume 000's	Closing Price	Day's change
[illegible]			
Sun Alliance	274	329	-1
Sun Life	2	1283	+3
TSN	483	195	
TI Group	137	504	
TSB	1,900	137	-2
Tarmac	640	263	+1
Tate & Lyle	477	310	+3
Taylor Woodrow	190	284	
Tesco	6,500	216	+3
Thames Water	531	153½	-½
THORN EMI	334	777	+8
Trafalgar House	150	318	-2
Trusthouse Forte	1,700	307	
Ultramar	2,700	333	-4
Unigate	579	316	+4
Unilever	522	690	
United Biscuits	2,700	374	+17
Utd Newspapers	378	341	-1
Water Package Uts	1	£1518	-22
Wellcome	2,900	600	-31
Welsh Water	121	162	-4
Wessex Water	103	161	-6
Whitbread 'A'	169	442	+1
Williams Hldgs	1,000	285	+2
Willis Faber	123	253	
Wimpey	104	228	+1
Yorkshire Water	470	162	-3

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday, until 4.30pm

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

APPOINTMENTS

Chairman of David Brown

Following a management buy-in last January, Mr A.C. Firth *(pictured)* has been appointed non-executive chairman of DAVID BROWN CORPORATION. He is chairman and chief executive of Concentric. Mr Anton C. Elsborg has been appointed group finance director. He joins from Lucas Aerospace where he is general manager, electric actuators division, Bradford. Mr Norman Boyd becomes managing director of David Brown Radicon. He joins from Tinsley Wire Industries, where he was managing director, spring division. Major General Stephen R.A. Stopford has been appointed a director of David Brown Vehicle Transmission, which supplies systems for the Challenger main battle tank.

■ Mr Owen Rout has been made a non-executive director of S.I. GROUP. He joins from Barclays, where he was a main board director with responsibility for domestic banking in the UK, financial services, Barclaycard and Mercantile Credit. He remains chairman of Mercantile Credit and a non-executive director of Al Baraka International Bank.

■ HILL SAMUEL BANK has appointed Mr Martin Brown as a director and head of the settlements operations. He joins from Kleinwort Benson.

■ THE HAMMERSON PROPERTY INVESTMENT AND DEVELOPMENT CORPORATION has appointed Mr H.R. Vogt as deputy managing director. He was London offices director.

■ Mr Peter Walker has been appointed an associate director of CHILTERN FINANCIAL SERVICES. He was previously European treasury and taxation manager at Young & Rubicam.

■ Mr David Warren, acting general manager, has been promoted to managing director of BUSH BEACH, a Degussa company. He was sales and development manager, new products, in the industrial and fine chemicals division of the parent company.

■ Mr Robert Boot has been promoted to chief executive of THE MDA GROUP. He was finance director, and succeeds Mr Michael Dwelly who remains a director. Ms Charlotte M. Blake, group company lawyer, has been appointed company secretary, and Mr Alastair Mitchell becomes financial controller from July 1.

■ Mr Steve MacQuarrie has been appointed projects director at R. & A. YOUNG MINING, largest subsidiary of Young Group, Durham.

■ Mr Trevor Lewis, joint senior partner of Hammond Suddards, has been appointed a director of BRADFORD & BINGLEY BUILDING SOCIETY.

■ Mr Robert M. Munro, an executive director of THE UNION DISCOUNT COMPANY OF LONDON, has been appointed group marketing director. He is succeeded as managing director of the Union Discount Leasing and Asset Finance Group by Mr John H. Bradley, formerly deputy managing director.

■ Mr Mike Littlejohns has been appointed director and general manager - parts and service at LUCAS AUTOMOTIVE's aftermarket division. He is director and general manager, electrical parts and service, and takes on the additional responsibilities of braking and diesel parts and service in the newly-created role.

■ Mr David Brown has been appointed head of settlement division, BARCLAYS DE ZOETE WEDD GROUP, from July 1 when Mr Peter Rendell retires.

Trafalgar House subsidiary posts

TRAFALGAR HOUSE CONSTRUCTION MANAGEMENT has appointed Mr Graham Rice *(pictured)* as managing director. He was assistant managing director, and joined the group in 1971. Mr Jim Girdham is deputy managing director, and Mr Henry Carruthers and Mr Paul Gandy have been appointed associate directors.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1		218xd	+2	44c	1.4	9.1	7.8
210	172	Abbey National 10p	◻	203	.....	5.7	4.3	3.7	8.2
♦274	210	Allied Irish Ord.	B	229	.....	Q40%	♦	4.1	♦
£13½	£11¼	Algemene Fl.10		£11¾	+⅛	Q28%	2.1	7.7	6.1
85	68	Anglo Irish	V	70	+2	tQ13.7%	2.7	6.3	9.6
83	68	Ansbacher (H.) 1p	◻	81	.....	2.5	1.3	4.1	23.3
£71⅞	£54⅛	Bancaire Cie Fr100		£59⅞	+¼	Q12¼%	—	2.3	—
£22¼	£16⅝	Banco Bilbao Viz		£17¼	.....	Q49.1%	2.7	4.9	11.1
£31	£24¼	Banco de Santander		£26¼	.....	Q25%	2.4	4.3	9.8
286	224	Bank Ireland Ir£1	B	253	.....	Q14.7%	2.9	5.5	8.4
£19½	£18	Bank Leumi		£19½	.....	—	—	—	—
350	320	Bank Leumi (U.K.)		345	.....	t13.5	—	5.2	—
125	104	Bank Scotland	B	118	.....	4.55	3.3	5.1	7.8
100¼	83¼	Do. 9¼pc Irrd Pf	V	95¾	+½	9¼%	—	12.9	—
54	39	Bank of Wales		46	.....	2.8	0.8	8.1	[illegible]
428	352	Barclays £1	◻	403xd	+1	h19.57	3.5	6.5	5.6
22	12	Benchmark 20p	V	14	+1	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	B	313xd	-1	12.0	♦	5.1	♦
♦435	341	Cater Allen £1	B	414xd	.....	N24.5	♦	7.9	♦
179	124	Chancery	V	125	.....	9.0	♦	10.1	♦
£23¼	£18¼	Commerzbk DM10		£19½	.....	Q18%	—	3.5	—
£13⅛	842	Dai Ichi KBk Y50		873	.....	Q17%	♦	0.4	♦
£330	£261	Deutsche Bk DM50		£270½	-½	Q28%	—	1.9	—
£20¾	£19	Espirito Santo		£19	.....	Q75c	♦	2.4	♦
253	183	First Nat. Fin. 10p	B	223	-2	13.0	2.4	7.8	6.9
121	96	FNFC 6.3pc Cv. Pf	V	111	-2	6.3%	—	7.6	—
£13⅛	995	Fuji Bank Y50		£10	.....	Q17%	♦	0.3	♦
325	262	Gerrard & National	B	314	.....	19.0	♦	8.1	♦

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Gr's	P/E
5½	3¼	Wilton Group 1p	y	4¼	+¼	–	–	–	♦

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Not officially listed
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim, reduced final and/or reduced earnings indicated
- § Forecast dividend cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend, xc ex scrip issue, xr ex rights, xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish Stocks, the latter being quoted in Irish currency.

Craig & Rose £1	y	830	....
Finlay Pkg 5p	y	53	–2
Holt (Jos) 25p	y	1300	..

IRISH

Cap 8½% Ln 1991	£98½	..
9pc Cap Ln 1996	£94¾	
Fin. 13% 97/02	£112¾	...
Arnotts	190	

Carroll (P.J.)	y	140	
Hall (R. & H.)		165	
Heiton Hldgs	y	75	+1
IRG		205	.
United Drug		160xd	..

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	99
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petim	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petim	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res.	5½
Ultramar	31

Mines

Lonrho	21
RTZ	56

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

[illegible]

Providence Capital Fd Mgrs Ltd (1000)H

30 Uxbridge Road, London W12 8PG 081-749 9111

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Acc	5	150.3	150.3xd	161.0	-0.3	0.67
European Inc	5	144.2	144.2xd	154.4	-0.3	0.67
Japan Acc	5	98.08	98.08	105.0	-1.1	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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Touche Remnant Unit Tst Mngt Ltd – Contd.

Trades Union Unit Tst Mngrs (1200)H

Tritan Fd Mngrs. Ltd. (1000)H

Abbey Life Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
High Inc Sav 4	479.1	504.4	-0.5	-
Money Ser 4	250.8	264.1		-
Intl Ser 4	114.5	120.6	-0.1	-
Custodian Ser. 4	105.6	111.2	+0.3	-
Pension Funds				
Property	637.4	671.0		-
Equity	1181.3	1243.5	-4	-
Selective	384.9	405.2	-0.7	-
Managed	863.7	909.2	-2	-
Security	495.6	521.7		-
Fixed Int	266.6	280.7	+2.6	-
Indexed	160.2	168.7	+0.9	-
American	273.6	288.1	-0.2	-
Japan	315.2	331.8	-1.6	-
European	186.4	196.3	-0.1	-
High Income	133.1	140.2	-0.1	-
Ethical	122.5	129.0	-0.3	-
International	210.4	221.5	-0.6	-

Acuma Life Assurance Ltd
The Glanty, Egham, Surrey TW2 9AT 0784 475333

Black Horse Life Ass. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Fd	472.64	497.52		-
Smlr Co's & Recy Fd	500.73	527.09		-
Intl Technology Fd	384.99	405.26		-
Nth Amer & Gen Fd	274.97	289.45		-
Energy Intl Fd	154.38	162.72		-
Pacific Basin Fd	314.82	331.39		-
German Growth Fd	185.07	194.82		-
Japan Growth Fd	179.95	189.43		-
UK Growth Fd	158.02	166.34		-
Contl Eur Gwth Fd	104.33	110.04		-
Nth Amer S.C. & Recy	156.99	165.26		-
Property Fd	319.35	336.16		-
Fixed Interest Fd	209.48	220.51		-
Cash Fd	221.33	232.98		-
Managed Fd	561.70			-
Pension Funds				
Managed Pen Fd	142.85	150.37		-
Fixed Int Pen Fd	104.31	109.80		-
Property Pen Fd	152.08	160.09		-
Cash Pen Fd	128.31	135.07		-
UK Equity Pen Fd	133.29	140.31		-
Nth Amer Pen Fd	127.16	133.86		-
European Pen Fd	157.78	166.09		-
Far East Pen Fd	111.28	117.14		-
Abtrust Funds				
Managed Growth	378.78	398.72		-

Colonial Mutual Group – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Index Link Cap	161.53	170.05		-
Index Link Inv	202.15	212.80		-
Managed Cap	451.34	475.10		-
Managed Inv	564.83	594.57		-
Unity Pensions Funds				
Managed	118.47	124.71		-
Deposit	120.34	126.68		-

Combined Insurance Co of America
15 Wheatfield Way, Kingston upon Thames, Surrey KT1 2PA 081-546 7733

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund (Cap)	130.1	136.9	-0.1	-
Managed Fund (Acc)	144.3	151.8	-0.1	-
Managed Pens Fd (Cap)	164.2	172.8	-0.1	-
Managed Pens Fd (Acc)	189.3	199.2	-0.2	-

Commercial Union Group
St Helen's, 1 Undershaft, London EC3 071-283 7500

	Bid Price	Offer Price	+ or -	Yield Gross
Var Ann June 22		83.40	+1.03	-
Var (Ube) June 16		459.22	+5.71	-
Pens With Profit	120.5	136.9		-
Prime Series–Life				
Managed	297.0	312.7	-0.6	-
Reserve Managed	110.1	115.9	+0.2	-
Venture Managed	125.4	132.1	-0.3	-
UK Equity	363.1	382.3	-1.0	-

GT Unit Managers Ltd – Contd.

General Accident Linked Life Assce(z)
2 Rougier Street, York YO1 1HR

London Life – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
International (A)	127.8		-1.1	-
Pension Funds				
Equity (P)	502.8		-1.6	-
Fixed Int. (P)	307.9		+2.9	-
Property (P)	288.9		+0.1	-
Deposits (P)	239.3		+0.5	-
Mixed (P)	367.9		-1.1	-
Index Stock (P)	169.7		-0.7	-
International (P)	226.2		-2.3	-
Equity (s)	110.8	116.8	-0.3	-
Fixed Interest (s)	101.1	106.5	+1	-
Property (s)	124.3	130.9	+0.1	-
Deposit (s)	120.2	126.6	+0.3	-
Mixed (s)	112.4	118.4	-0.3	-
Indexed Stock (s)	114.0	120.1	-0.5	-
International (s)	115.5	121.7	-1.2	-

London & Manchester Group
Winslade Pk Exeter EX5 1DS 0392 282246

Merchant Investors Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
MI Hen Prime Res Prop	84.4			-
MI Klein Ben Extra Inc	110.0		+0.4	-
MI Klein Ben Gilt Yield	101.0		+0.3	-
MI Klein Ben High Yield	111.5		+0.6	-
MI Klein Ben General	120.0		+0.5	-
MI Klein Ben Smllr Cos	97.3			-
MI Klein Ben UK Equity Gth	113.8		+0.1	-
MI Klein Ben European	133.5		-0.3	-
MI Klein Ben Euro Spcl Sits	139.5		-0.2	-
MI Klein Ben Am Smlr Cos	127.4		-0.4	-
MI Klein Ben Nth American	130.7		-0.1	-
MI Klein Ben Japan	126.3		-0.5	-
MI Klein Ben Japanese Smlr	141.2		-0.1	-
MI Klein Ben Pacific	101.0		-0.3	-
MI Klein Ben Global Mkts	114.7		+0.3	-
MI Klein Ben Inv Tst Fund	115.1		+0.2	-
MI Klein Ben Intl Recovery	109.0		-0.4	-
MI Klein Ben Master Tst	127.5		+0.1	-

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Life Insurance Soc.—Contd.				
Pensionmaster* & Unit-Linked Plus*				
Mixed Fund	405.5	426.8	-2.1	–
Ordinary Share Fund	604.3	636.1	-4.1	–
International Fund	167.7	176.5	-1.4	–
Property Fund	263.3	277.2	+0.4	–
Fixed Interest Fund	300.6	316.4	+3.1	–
Index-Linked Sec Fund	172.2	181.3	-0.4	–
Deposit Fund	227.1	239.1	+0.7	–
Norwich Units May 15	938.37		.....	–
*Prices as at June 19				
Jersey Investment Plan				
With Profits Fund	99.25	104.48	+0.04	–
Intl Equity Fund	94.09	99.04	-0.05	–
Intl Bond Fund	96.85	101.94	-0.08	–
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	170.6	179.6	.....	–
Prop. Acc. (Gross)	291.7	307.1	.....	–
Equity (Gross)	818.9	862.0	-2.4	–
Managed (Gross)	572.0	602.2	-0.7	–
Prop. Acc. (Net)	135.6	142.8	.....	–
Equity (Net)	188.8	198.7	-0.5	–
Managed (Net)	174.5	183.7	-0.2	–
Internat'nal (Net)	166.7	175.5	-0.2	–
Gilt & F'xd Interest	105.7	111.3	+0.7	–
Money Fund	116.3	122.5	+0.1	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	576.8	607.2	-0.8	–
Ret Man (Series 2)	195.7	206.0	-0.2	–
Ret Man (Series 3)	130.4	130.4	-0.2	–
Ret Cash	155.9	164.1	+0.1	–
Ret Cash (Series 3)	129.4	129.4	.....	–
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	104.4	109.9	-0.3	–
Managed Balanced	98.1	103.3	+0.2	–
Managed Cautious	94.6	99.6	+0.5	–
Pension Funds				
Managed Aggressive	105.3	110.8	-0.4	–
Managed Balance	99.6	104.9	+0.2	–
Managed Cautious	95.6	100.6	+0.5	–

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed June 20	249.6	260.0	.....	–
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Holborn Series I Life Funds				
Managed	557.6	587.0	-0.2	–
Equity	1141.1	1201.2	+0.3	–
Fixed Interest	380.4	400.5	+1.7	–
Property	433.1	455.9	-2.3	–
Cash	287.2	302.4	.....	–
International	391.6	412.3	-0.4	–
Holborn Series II Life Funds				
Managed	545.3	574.1	-0.2	–
Equity	1112.7	1171.3	+0.3	–
International	383.1	403.3	-0.4	–
Fixed Intl.	369.6	389.1	+1.7	–
Property	420.9	443.1	-2.3	–
Cash	279.5	294.3	+0.1	–
Pacific Basin	201.7	212.4	-0.8	–
North American	151.6	159.6	-0.1	–
European	190.0	200.1	+0.2	–
Holborn Balanced Gwth	115.0	121.1	-0.1	–
Holborn Strategic Gwth	115.1	121.2	.....	–
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Managed	581.4	612.0	-0.3	–
Equity	847.4	892.1	+0.3	–
Global Equity	241.5	254.3	-0.9	–
Fixed Interest	410.3	431.9	+1.5	–
Property	433.0	455.8	-1.1	–
Cash	179.3	188.8	+0.1	–
Index Linked Gilt	208.3	219.3	+0.8	–
Guaranteed	14.12		.....	–
International Money	211.9	223.1	-0.1	–
North American	73.8	77.7	-2.2	–
Japanese	122.3	128.8	-1.1	–
European	114.8	120.9	.....	–
Special Situations	119.4	125.7	-0.2	–
Communications	96.4	101.5	+0.3	–
Smaller Companies	110.3	116.2	+4.6	–
International Small Cos	141.1	148.6	-0.5	–

Prudential Pensions Limited

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED**)

MANAGEMENT SERVICES

OFFSHORE INSURANCES

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Stonehenge Fund Mngrs Ltd

Stronghold Asset Mngmt (Guernsey) Ltd

The Thai-Euro Fund Ltd

Tyndall International (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

Allied Irish Fund Managers—Contd.

Barclays Intl Funds

Warburg Asset Management Jersey Ltd — Contd.

Wardley Fund Managers (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Sampaolo Group (Luxembourg)

MIM Britannia International Ltd

Morgan Stanley Sicav

NM Income & Gwth Fd

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Dreyfus Intercontinental Inv. Fd.

Elders (Switzerland) Invest. Mngt. SA

Emerging Markets Management

Ermitage Group

Malaysia Capital Fund Ltd

Malaysia Growth Fund

Malaysia Select Fund Ltd

Malaysian Smaller Co's Fd (Cayman) Ltd

Man International Futures

Warburg Inv Mngmt (Isle of Man) Ltd

Wardley Investment Services Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Wardley S E Asia Tst	$13 16	13 83	−0 11	0 80
Japanese Warrants	$10 34	10 88		−
Asian Warrants	$9 93	10 52		−
European Warrants	$10 09	10 60		−
Managed	[illegible]	10 28	+0 01	−

Wells Fargo U.S. IT Fund

NAV June 20 | $9 99 | | −

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Xiphias Int USD	$2 0253			−
Xiphias Int ECU	Ecu1 0241			−

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14 77	−	15 61	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14 75	−	15 59	3-Mth
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14 85	−	15 70	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX			071-234 1425	
Call Fund	14 47	11 29	15 46	6-Mth
7-day Fund	14 53	11 34	15 54	6-Mth
Special Fund	14 81	−	16 24	1-Mth
Dollar	7 00	5 46	7 43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road EC1Y 2AY			071-638 6070	
Treasury Acc	13 50	10 53	14 60	Qtr
[illegible]	13 50	10 53	14 73	Mth
[illegible]	14 00	10 92	15 31	Mth
Mth Int Chq £50 000+	14 50	11 31	15 88	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London EC4N 5AD			071-626 0879	
OMNA (£2 001+)	14 78	11 53	16 210	Mth
HICA (£2 001+)	13 90	10 84	15 196	Mth
PROMNA (£250 001+)	14 90	11 62	16 349	−
American Express Bank Ltd				
c/o American Express Financial Services Limited				

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Money follows high yields

STERLING and the Australian dollar were firmer yesterday with investors continuing to favour high yielding currencies. The Japanese yen remained easier on concern at the rate of monetary growth, while the other major currencies were broadly steady.

Throughout the week the US dollar, yen and D-Mark have been locked in narrow ranges and this has boosted interest in high rate currencies. "Investors have been parking for points," said Mr Robin Marshall, chief economist at Chase Investment Bank. "They've put their short-term funds in high yielding currencies, particularly sterling and the Australian dollar."

Also supporting sterling was continuing speculation about the timing of its full entry into the European Monetary System. A speech on Wednesday evening by Mr John Major, the Chancellor, on proposals for European economic and monetary union had little impact on sterling. Mr Steven Hannah, head of research at NatWest Capital Markets, said: "These were long-term proposals and were met with indifference by the currency markets. But sterling remains supported by the belief that it will become a full EMS member within the next few months."

The next hurdle for sterling will be the release this morning of the May UK balance of payments figures. According to a survey of analysts compiled by MMS International, the consensus is for a current account deficit of £1.4bn against £1.8bn in April.

Sterling closed at DM2.9000, up from DM2.8900 on Wednesday; and also rose to $1.7255 from $1.7240; to SFr2.4400 from SFr2.4375; to Y267.25 from Y265.00; and to FFr9.7325 from FFr9.7200. Sterling's exchange rate index, calculated by the Bank of England, closed 0.2 point higher at 91.0. Meanwhile, the Australian dollar finished at 78.9 US cents, up from 78.3.

The yen remained under pressure as inflationary worries persisted after news earlier in the week that Japan's money supply was growing significantly faster than the Bank of Japan's target rates.

"The yen's rally which began in May has now run out of steam. There is an air of nervousness about Japan's monetary policies," said Mr Mark Cliffe, chief economist at the Nomura Research Institute. He noted that the Bank of Japan nudged short-term money market rates higher yesterday and said that further tightening was likely. The D-Mark strengthened to close at Y92.17 from Y91.87.

The US dollar drifted higher but remained locked in a tight range. Analysts said they expect it to trade between DM1.6750 and DM1.6950 until the begining of next month when the Federal Open Market Committee meets and the latest US employment figures are released. The dollar closed higher at DM1.6800 from DM1.6770; at Y154.85 from Y153.95; at SFr1.4145 from SFr1.4140; and at FFr5.6400 from FFr5.6375.

£ IN NEW YORK

June 21	Latest	Previous Close
£ Spot	1.7235-1.7245	1.7215-1.7225
1 month	0.92-0.91pm	0.95-0.94pm
3 months	2.71-2.69pm	2.77-2.75pm
12 months	9.16-9.09pm	9.23-9.16pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 21	Previous
8.30 am	90.9	90.7
9.00 am	90.9	90.7
10.00 am	90.9	90.7
11.00 am	90.9	90.8
Noon	90.9	90.7
1.00 pm	90.9	90.7
2.00 pm	90.9	90.7
3.00 pm	90.9	90.8
4.00 pm	91.0	90.8

CURRENCY RATES

June 21	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.765684	0.712552
U.S Dollar	7	1.31736	1.22666
Canadian $	13.32	1.54447	1.44071
Austrian Sch	6½	15.5514	14.5077
Belgian Franc	10¼	45.3962	42.3197
Danish Krone	10½	N/A	7.83774
Deutsche Mark	6.00	2.21066	2.06201
Neth Guilder	7.00	2.48718	2.31937
French Franc	10¼	7.42925	6.92510
Italian Lira	13½	1621.55	1511.86
Japanese Yen	5¼	202.742	189.825
Norway Krone	8	8.49961	7.92851
Spanish Peseta	-	136.282	126.922
Swedish Krona	11	7.99242	7.45625
Swiss Franc	6.00	1.86406	1.73756
Greek Drach.	20½	216.337	201.663
Irish Punt	-	0.824280	0.768728

† European Commission Calculations.
* All SDR rates are for June 20

CURRENCY MOVEMENTS

June 21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-21.2
U S Dollar	67.5	-10.8
Canadian Dollar	103.5	+0.8
Austrian Schilling	109.3	+11.4
Belgian Franc	111.3	-2.3
Danish Krone	110.4	+4.7
Deutsche Mark	118.0	+23.8
Swiss Franc	114.4	+22.8
Guilder	114.1	+15.8
French Franc	104.2	-12.5
Lira	101.1	-18.4
Yen	119.5	+48.8

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for June 20

OTHER CURRENCIES

June 21	£	$
Argentina	8591.25-8628.25	4990.00-5010.00
Australia	2.1860-2.1880	1.2700-1.2710
Brazil	94.7100-94.7825	55.0000-55.6000
Finland	6.8010-6.8145	3.9550-3.9580
Greece	280.85-285.35	162.95-165.65
Hong Kong	13.3925-13.4060	7.7870-7.7890
Iran	120.50*	70.10
Korea(Sth)	1222.90-1242.65	713.30-718.90
Kuwait	0.5030-0.5045	0.2920-0.2930
Luxembourg	59.45-59.55	34.45-34.55
Malaysia	4.6590-4.6710	2.7100-2.7120
Mexico	4904.80-4908.00	2848.00-2849.00
N Zealand	2.9440-2.9485	1.7060-1.7080
Saudi Ar.	6.4590-6.4645	3.7495-3.7505
Singapore	3.1655-3.1730	1.8405-1.8425
S. Af (Cm)	4.5795-4.5910	2.6635-2.6650
S. Af (Fn)	6.7220-6.8560	3.9060-3.9840
Taiwan	47.15-47.25	27.40-27.45
U.A.E.	6.3240-6.3315	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Jun 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14⅞-14¾	14 13/16-14¾	14 13/16-14¾	14 13/16-14¾	14 11/16-14 9/16
US Dollar	8¼-8⅛	8¼-8⅛	8 5/16-8 3/16	8⅜-8¼	8 7/16-8 5/16	8⅝-8½
Can. Dollar	12¾-12½	13¼-12¾	13 5/16-12 13/16	13½-13¼	13½-13¼	13¼-13
D. Guilder	8¼-7⅞	8¼-7⅞	8 5/16-8 3/16	8⅜-8¼	8⅝-8½	8⅞-8¾
Sw Franc	9¼-9	9⅛-8⅞	9-8⅞	9-8⅞	8 15/16-8 13/16	8⅞-8¾
Deutschmark	7 13/16-7 11/16	7 13/16-7 11/16	8 1/16-7 15/16	8¼-8⅛	8⅝-8½	8 15/16-8 13/16
Fr Franc	9 13/16-9 11/16	9 13/16-9 11/16	9 13/16-9 11/16	10-9⅞	10¼-10⅛	10½-10⅜
Italian Lira	13-11	12-11	11¼-10⅞	11½-11	11⅝-11¼	11⅞-11½
Belgian Franc	8⅞-8¾	9¼-9⅛	9 5/16-9 3/16	9 7/16-9 5/16	9 9/16-9 7/16	9 11/16-9 9/16
Yen	7 5/16-7⅛	7 5/16-7⅛	7 5/16-7⅛	7 5/16-7⅛	7⅜-7¼	7⅜-7¼
D. Krone	11¼-10 13/16	11¼-10 13/16	11 3/16-10 13/16	[illegible]	[illegible]	[illegible]
Asian $Sing	8¼-8⅛	8 3/16-8 1/16	8 5/16-8 3/16	[illegible]	[illegible]	[illegible]

Long term Eurodollars two years 8¾-8⅝ per cent; three years 9 1/16-8 15/16 per cent; four years 9¼-9⅛ per cent; five years 9 5/16-9 3/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

June 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7195-1.7265	1.7250-1.7260	0.92-0.90cpm	6.33	2.72-2.69pm	6.27
Canada	2.0175-2.0280	2.0255-2.0265	0.28-0.18cpm	[illegible]	[illegible]	[illegible]
Netherlands	3.25¼-3.26¼	3.25¾-3.26¾	1⅞-1¾cpm	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.20-5.15cpm 12 month 9.20-9.10cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7195-1.7265	1.7250-1.7260	0.92-0.90cpm	6.33	2.72-2.69pm	6.27
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.3197	+0.36	+0.36	±1.5508
Danish Krone	7.79845	7.83774	+0.50	+0.50	±1.6403
German D-Mark	2.05853	2.06201	+0.17	+0.17	±1.1762
French Franc	6.85684	6.92510	+1.00	+1.00	±1.3618
Dutch Guilder	2.31938	2.31937	[illegible]	[illegible]	±1.5272
Irish Punt	0.763159	0.768728	+0.73	+0.73	±1.6683
Italian Lira	1529.70	1511.86	-1.17	-1.17	±4.1552
Spanish Peseta	132.889	126.922	-4.49	-4.49	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.726	2.900	267.3	9.733	2.440	3.263	1231	2.026	59.50
$	0.579	1	1.680	154.9	5.639	1.414	1.890	713.2	1.174	34.47
DM	0.345	0.595	1	92.17	3.356	0.841	1.125	424.5	0.699	20.52
YEN	3.741	6.457	10.85	1000.	36.41	9.128	12.21	4605	7.579	222.6
F Fr.	1.027	1.773	2.980	274.6	10.	2.507	3.353	1265	2.082	61.13
S Fr.	0.410	0.707	1.189	109.5	3.989	1	1.337	504.5	0.830	24.39
H Fl.	0.306	0.529	0.889	81.92	2.983	0.748	1	377.3	0.621	18.23
Lira	0.812	1.402	2.356	217.1	7.907	1.982	2.651	1000.	1.646	48.33
C $	0.494	0.852	1.431	131.9	4.804	1.204	1.611	607.6	1	29.37
B Fr.	1.681	2.901	4.874	449.2	16.36	4.101	5.484	2069	3.405	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

THREE MONTH EUROMARK DM 1m points of 100% — [illegible]

THREE MONTH ECU ECU 1m points of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7255	1.7164	1.6986	1.6734	1.6340

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6974	1.6976	1.6950	1.6952
Dec	1.6726	1.6726	1.6706	1.6702
Mar	-	-	-	-

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int
September	89.90	89.93	+0.07	89.93	89.88	10.07	10,986
December	89.83	89.89	+0.09	89.89	89.83	10.11	4,152
March	89.88	89.92	-0.07	89.92	89.87	10.07	919
June	89.90	89.93	+0.06	89.93	89.90	10.07	10

Estimated volume 6,006 Total Open Interest 16,067

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
June	2021.0	2019.0	-	2031.0	2017.0	4,201
July	2020.0	2018.0	-	2030.0	2017.0	2,334
August	2029.0	2029.0	+2.0	2029.0	2029.0	240
September	-	-	-	-	-	10

Estimated volume 5,239 Total Open Interest 6,785

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.of London Plc	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates stable

UK money rates were stable yesterday after the Bank of England supplied the market with sufficient liquidity to meet its increased credit needs. The key three-month interbank rate closed unchanged on the day at 14 13/16-14¾ per cent.

The day began uneventfully with the Bank forecasting a credit shortage of £750m. However, the market became nervous after the shortage was revised to £1.15bn. This left dealers wondering whether they would be left short of liquidity and overnight money rates hardened. But in its credit operations the Bank bought a total of £1.03bn of bills, just below its final estimate of the market's shortage, and rates fell back.

UK clearing bank base lending rate 15 per cent from October 5

During the morning an early round of bill offers was invited and the Bank bought £404m of bills. This comprised £226m of band 1 bank bills at 14⅞ per cent and £178m band 2 bank bills at 14¾.

The forecast was revised to £1.1bn at noon and the details of the shortage were provided. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £590m, Exchequer transactions a further £455m, a rise in the note circulation £70m and bankers balances below target £35m.

Before lunch a further £160m was purchased of which £37m were band 1 bank bills at 14⅞ per cent and £123m of band 2 bills at 14¾. During the afternoon, the shortage was revised to £1.05bn, and the Bank bought £439m of band 1 bank bills at 14⅞ per cent.

In the futures market, prices were lower on nervousness before the UK May trade figures, published this morning. Sterling's firmer tone helped underpin prices, however, and many dealers ran a tight book. September short sterling closed 7 points easier at 86.17, while December finished 4 points lower at 86.20.

In Frankfurt call money rates were little changed at around 7.70 per cent. Rates could edge higher today as June's tax payments continue to drain liquidity.

However, dealers said there is sufficient liquidity to avoid any sharp change. The weakness of the D-Mark against European currencies helped soften rates.

In New York the Federal Reserve followed Wednesday's pattern and did not engage in any open market operations. At the time of normal of Fed operations, Federal Funds were unchanged at 8¼ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 21) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8 5/16	offer 8 7/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed funds	8 3/16
Fed funds at intervention	-

Treasury Bills and Bonds

One month	7.44	Three year	8.46
Two month	7.50	Four year	8.53
Three month	8.02	Five year	8.50
Six month	8.08	Seven year	8.59
One year	8.15	10-year	8.55
Two year	8.42	30-year	8.52

June 21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.70-7.80	7.85-8.00	8.00-8.15	8.15-8.30	8.40-8.55	8.00
Paris	9¼-9⅜	9¼-9⅜	-	10-10⅛	-	9.50
Zurich	8¼-8⅝	8¾-9	-	8¾-9	-	-
Amsterdam	8.06-8.18	8.06-8.16	-	8.27-8.37	-	-
Tokyo	7 3/16-7 11/16	7 11/16-7 13/16	-	7 3/16-7¾	-	-
Milan	11¼-11½	11-11¼	-	11⅛-11¼	-	-
Brussels	7.35	9 13/16-9 13/16	-	9⅜-9¾	-	-
Dublin	11-11⅛	11-11⅛	11-11⅛	11-11⅛	10 13/16-11 1/16	-

LONDON MONEY RATES

Jun 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	14 13/16	14 13/16	14 13/16	14 13/16	14¾
Interbank Bid	13¾	14 11/16	14 11/16	14 11/16	14 11/16	14⅝
Sterling CDs	-	-	14⅞	14⅞	14¾	14⅝
Local Authority Deps.	14¾	14¾	14⅞	14⅞	14⅞	14 11/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14 13/16	14 13/16	14½	-	-
Company Deposits	-	-	14 13/16	14 13/16	14 13/16	14¾
Finance House Deposits	-	-	14⅞	15	14 13/16	14¾
Treasury Bills (Buy)	-	-	14 13/16	14 11/16	-	-
Bank Bills (Buy)	-	-	14⅞	14⅝	13 17/32	-
Fine Trade Bills (Buy)	-	-	15¼	15	14 11/16	-
Dollar CDs	-	-	8.25	8.27	8.37	8.55
SDR Linked Dep. Offer	-	-	8⅞	9	9 3/16	9⅜
SDR Linked Dep. Bid	-	-	8¾	8⅞	9 1/16	9¼
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅜	10 9/16
ECU Linked Dep. Bid	-	-	9¾	10	10¼	10 7/16

Treasury Bills (sell); one-month 14 13/32 per cent; three months 14 5/16 per cent; Bank Bills (sell); one-month 14 23/32 per cent; three months 14 11/32 per cent. Treasury Bills; Average tender rate of discount 14.3572 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1990. Agreed rates for period June 26,1990 to July 24, 1990, Scheme I: 15.91 p.c., Schemes II & III: 16.44 p.c. Reference rate for period May 1,1990 to May 31, 1990, Scheme IV&V: 15.201 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from June 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,270 Set by VIXEN

ACROSS
1 Many steal – twist – rook (6)
4 Socialist leader listing beastly accommodation (6)
10 Retiring creatures, directors, and that's right (9)
11 One had ordered nothing in America (5)
12 Wise men engaged in profiting from imaginative suggestions (4)
13 Take steps to bring such devices into operation (10)
15 Goes after some soldiers, but comes back (7)
16 Wouldn't work, so given a tap (6)
19 A motorist writing a note at the waterside (6)
21 Getting wed, soon perhaps lost all sense of reality (7)
23 A sober person went ahead – stood around creating a racket (10)
25 Married before. Must be simple! (4)
27 A legal right for the non-British (5)
28 Transport for patients and medico involved in a universal cut (9)
29 Dealt with food compendium by a top journalist (8)
30 A financial arrangement to negotiate direct (6)

DOWN
1 Money expended on 25 material (8)
2 Real thugs can make a killing! (9)
3 This always depends on the listener (4)
5 Damage is due to boring (7)
6 He hasn't long been a union member (10)
7 Putting in an oriental would be stupid (5)
8 A complaint of some fliers (6)
9 People speaking of a mystery writer (6)
14 Several gin concoctions originated in this place (10)
17 Being no longer included in 30, Edward is worried (9)
18 He'll support the woman in a depression (8)
20 Beam and read it – a blunder (7)
21 The way a dress appears in disco lighting (6)
22 A timber on a sea-going vessel (6)
24 Body in the bath in great detective story (5)
26 Dim man of the law put over an old city (4)

Solution to Puzzle No.7,269

CONVERTS MITTEN
OWING GATHERING
ENHEARTEN ARENA
WOODEN DEDUCED
CORACLE MANIAC
ADMIT ENDOWMENT
BEDRAGGLE LIEGE
ENCODE PRESENCE

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE · JAPAN

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] † South African prices unavailable June 21

CANADA

TORONTO 2pm prices June 21

[illegible]

f–No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	June 20	June 19	June 18	June 15	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2895.30	2893.56	2882.18	2935.89	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	90.74	90.81	90.98	91.05	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1177.01	1178.83	1175.73	1193.25	1212.77 (6/6)	1051.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.56	208.94	208.31	211.71	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2914.60 (2907.92) Low 2868.81 (2866.58)

STANDARD AND POOR'S

	June 20	June 19	June 18	June 15	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	359.10	358.47	356.88	362.91	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	421.23	420.11	418.00	425.01	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	29.15	29.38	29.29	29.90	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.84	195.61	194.93	197.86	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	360.81	360.83	360.76	364.03	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	460.80	460.53	460.79	467.55	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	June 15	June 8	May 25	year ago (approx.)
Dow Industrial Div. Yield	3.67	3.71	4.01	3.59
	June 13	June 6	May 30	year ago (approx.)
S & P Industrial div. yield	2.90	2.91	2.95	3.14
S & P Indl. P/E ratio	17.07	17.01	16.89	12.84

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Varity Corp	2,532,300	3	- 1/8
Can-Pacific	2,142,400	18	+ 1/4
Banc One	1,869,000	28 3/8	- 5/8
Upjohn	1,477,200	42	+ 2
Citicorp	1,382,800	22 1/2	- 3/8
Occ Pete	1,197,000	25 3/4	- 1/4
Fannie Mae	1,150,200	40	- 7/8
Abbott Labs	1,067,100	40 1/8	+ 1 1/8
Philip Morris	1,045,200	43 1/2	- 3/8
Chevron Corp	1,039,400	70 7/8	- 3/8

TRADING ACTIVITY

† Volume Millions	June 20	June 19	June 18
New York	137.420	135.499	133.470
Amex	13.234	8.084	9.801
NASDAQ	(u)	142.983	157.647
Issues Traded	1,993	2,005	1,999
Rises	667	788	348
Falls	767	708	1,205
Unchanged	559	519	446
New Highs	26	18	13
New Lows	37	45	45

CANADA TORONTO

	June 20	June 19	June 18	June 15	1990 HIGH	1990 LOW
Metals & Minerals	3188.00	3181.00	3183.20	3217.70	3453.05 (4/1)	2850.80 (23/4)
Composite	3530.50	3529.10	3519.85	3569.10	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1825.02	1823.84	1822.66	1856.41	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. † Correction.

	June 21	June 20	June 19	June 18	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1505.4	1502.8	1499.4	1506.0	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	725.6	723.8	722.5	725.1	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	570.82	559.51	554.51	557.05	703.29 (19/3)	526.59(2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6263.36	6254.36	6252.76	6279.42	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	380.94	380.74	381.50	382.45	382.50 (15/6)	352.96 (25/4)
FINLAND						
Unitas General (1975)	563.4	569.0	567.2	567.6	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	538.93	539.23	534.24	542.81	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2007.98	2003.66	2000.14	1988.33	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	786.78	782.54	771.87	765.72	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2270.60	2257.3	2224.3	2206.4	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1863.57	1849.55	1836.74	1797.42	1968.95 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3246.21	3234.39	3229.02	(c)	3246.21 (21/6)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1701.97	1707.28	1704.95	1714.62	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	748.02	757.63	758.68	757.42	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32087.27	32087.76	32040.38	32376.80	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2361.56	2366.80	2353.93	2381.03	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4151.73	4147.98	4145.06	4178.59	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	577.42	573.96	570.89	574.00	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	265.8	266.2	264.6	263.9	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	198.0	198.3	197.2	196.6	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	827.06	830.14	823.61	825.70	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	927.70	919.78	910.87	920.51	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	430.89	430.41	430.67	434.13	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1357.0§	1322.0	1357.0	1374.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2928.0§	2921.0	2929.0	2933.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	743.17	740.84	749.61	756.39	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	286.81	284.74	282.96	283.37	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	(u)	1273.6	1268.3	1270.5	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	814.5	813.7	812.4	814.8	825.1 (5/6)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	5500.40	5522.04	5892.88	6016.43	12495.34 (10/2)	5500.40 (21/6)
THAILAND						
Bangkok SET (30/4/75)	998.33	1014.11	989.28	983.32	1033.52 (8/6)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	516.8	515.3	515.8	571.0 (4/1)	468.3 (2/4)

**Saturday June 16: Taiwan Weighted Price: (c). Korea Comp Ex. 774.07

§ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX–1,000, JSE Gold–255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday June 21 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Canon	16.7m	1,790	+60	MHI	8.0m	1,010	-30
Nippon Steel	8.0m	584	-3	Mitsui Eng&Ship	5.3m	935	-17
Teikoku Tsh Kgy	6.9m	1,510	+10	Toshiba	4.9m	1,070	0
NKK	6.3m	637	-14	IHI	4.8m	1,050	-20
Nippon Mining	6.2m	855	-25	Toyota Motor	4.7m	2,570	-20

3pm prices June 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	19	AAR	.48	2.4	13	1228	20⅜	19⅞	20¼	- ⅛
9¾	8	ACM n	1.01	12.		185	8⅞	8⅝	8⅝	
11⅜	9⅝	ACMIn	1.26	12		419	10¼	10⅛	10⅛	- ⅛
9⅞	7¼	ACM M	n1.01	13.		128	8	7⅞	7⅞	
12⅛	10	ACMMM				170	10⅞	10⅝	10⅞	
11½	9⅝	ACM Sc	1.26	13.		1032	10⅛	10	10	- ⅛
9⅜	8⅛	ACMSp	1.01	12.		592	9⅛	8¼	8⅝	
24⅜	14⅜	AL Lab	.16	.7	20	45	22⅝	22½	22⅝	- ⅛
5¾	2½	AM Intl				186	2¾	2⅝	2¾	- ⅛
23⅛	10¼	AM In pf	2	16.		80	12⅜	12¼	12¼	- ⅛
107¼	52½	AMR			13	2680	66¼	65⅞	65⅞	- ⅜
4⅞	3	ARX				12	3⅝	3½	3⅝	
72¾	40⅛	ASA	3a	6.8		365	44⅞	44	44¼	
40⅛	28¼	AbtLab	s.84	2.1	20	6641	u40⅞	40	40⅛	+ ⅛
16⅝	11¼	Abitibi	g .50			50	13¼	13¼	13¼	- ⅛
12⅞	8¼	AcmeC	.40	4.7	10	26	8½	8⅜	8½	
9¼	7⅝	AcmeE	.32	3.8	10	30	8½	8⅜	8⅜	
41⅞	28⅛	Acusn			22	749	36⅞	36⅝	36⅞	
16½	13¾	AdaEx	2.08e	13.		67	16⅛	16	16	
15⅜	9½	Adobe				188	11⅜	10⅞	11⅜	+ ⅜
21⅝	20⅛	Adob pf	2.40	12.		1	20¾	20¾	20¾	- ⅜
11⅜	8⅞	AMD			19	1009	9⅛	9	9	- ⅛
34¼	26¼	AMD pf	3	9.5		1	31⅝	31⅝	31⅝	+ ⅛
10⅛	4⅛	Advest	.16	3.4	58	58	4¾	4⅝	4¾	+ ⅛
62½	45¼	AetnLf	2.76	5.3	9	1374	52⅞	52¼	52⅜	- ½
14	8¼	AflPb	.24	2.2		187	10¾	10⅝	10¾	
25	16⅛	Ahmans	.88	4.5	9	2878	20⅛	19½	19⅝	- ⅜
3⅝	1⅞	Aileen				106	2⅜	2⅜	2⅜	+ ⅛
58	40	AirPrd	1.32	2.3	15	840	56⅝	56	56⅜	+ ⅜
24¼	13⅜	AirFrt	s		15	49	22⅜	22¼	22⅜	+ ⅛
20¾	16½	Airlease	2.52	13.	9	51	19⅛	18⅞	18⅞	
10¾	9⅛	AlaP	dpf.87	9.3		4	9½	9⅜	9⅜	- ⅛
91	83¼	AlaP pf	8.28	9.7		z100	85	85	85	
30½	19¼	AlskAir	.20	.9	11	203	22¾	22¼	22¾	+ ¼
23½	15½	Albnyln	.35	2.2	11	29	16	15⅞	16	
27¼	20	Alberto	s.20	.8	20	165	23¾	23⅛	23¾	+ ⅝
20¼	16⅜	AlCulA	s .20	1.1	15	490	18⅞	18	18¾	+ 1
69¼	46½	Albtsn	.96	1.4	23	568	u70¼	68⅞	69½	+ ⅝
34¾	23¼	Albts wi				42	u35¼	35	35	+ ¼
25⅛	18⅞	Alcan	1.12	5.0	7	1293	22¾	22⅜	22⅝	
36⅝	28⅛	AlcoStd	.84	2.4	13	340	34⅞	34⅝	34⅝	- ⅜
34	23¼	AlexAlx	1	3.9	20	190	25½	25⅜	25½	
65⅝	39	Alexdr				52	41	39¾	40¾	+ 1⅜
101⅜	81⅞	AllegCp	1.72t	1.9	10	49	88½	88¼	88¼	- ⅛
1¼	7-32	vjAlgInt				72	7-16	⅜	13-32	+ 1-32
6½	7-16	vjAll pfC				5	1½	1½	1½	
48½	32⅜	AlgLud	1.32	2.8	9	59	48¼	47¾	48	
42½	36¾	AllgPw	3.16	8.3	10	288	38⅝	38	38⅛	- ⅜
17⅜	9	AllenG			20	132	16¾	16½	16⅝	+ ⅛
25½	12¼	Alrgn n	.19e	1.0		1173	18½	18	18⅜	+ ⅜
17⅜	12⅜	AlnCap	1.65e	11.	16	45	15¼	15⅛	15⅛	
17	14½	AllGlE n				223	14¾	14½	14¾	+ ¼
12⅛	9	AllNEu n				644	10½	10⅜	10½	+ ⅛
25⅜	21¾	Allsh pf	2.23	10.		39	22	21⅞	22	- ⅛
24⅞	4⅝	AlldPd			11	23	8⅛	8¼	8¼	- ⅛
40⅝	31⅞	AldSgnl	1.80	5.0	10	617	36	35¾	35⅞	
10⅞	9⅞	AMIT	.78e	7.8		285	10¼	10⅛	10¼	
10⅛	9¼	AMIT2	n.73a	7.6		209	9¾	9½	9⅝	+ ⅛
10	8⅞	AMIT3	n.64	7.2		176	8⅞	8¾	8⅞	
[illegible]										

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
590	414	RkInt pf4.75		.9		8	u542¼	542¼	542¼	+6¼
7⅞	5	RodRen				20	6⅝	6⅝	6⅝	
37½	26⅜	RoHaas	1.20	3.4	13	61	35	34⅞	34⅞	-⅛
33⅝	18½	Rohr			313	828	25¼	24¾	25	
14⅞	9⅝	RollinE	.08	.6		751	13⅞	13½	13⅝	-⅛
21	15⅞	Rollins	.56	2.9	19	293	19⅝	19¼	19¼	-¼
9¾	7⅛	RolLeas	.20	2.3	9	155	9	8⅝	8⅝	-⅜
70¾	38⅛	Rorer	.84	1.2	32	326	68½	68⅜	68½	+⅛
14¼	7⅞	Rowan				557	12¼	12	12¼	+½
25¼	21¾	RBSct pr2.24e		9.9		38	23⅛	22⅝	22⅝	-⅝
79⅛	61¼	RoylD	3.85e	5.1	12	2751	75⅝	75¼	75½	-½
16	8½	Roylnt	.20e	1.9	14	72	10½	10⅜	10½	
10	8½	Royce	.52e	5.4		110	9⅝	9½	9⅝	+⅛
41⅞	29¾	Rubmd	.52	1.3	25	431	40¾	40⅛	40½	+⅛
18¾	13¾	RussBr	.40	2.6	16	213	15¾	15⅝	15⅝	+⅛
16	7⅝	RussTg	.20	2.0		45	10	9¾	10	+¼
27¼	20	Russell	.32	1.2	16	91	25⅞	25½	25⅝	+¼
31⅛	17⅝	Ryder	.60	2.7	65	475	22½	22	22⅛	-⅛
29½	15¾	Rykoff	.60	3.2	20	313	19	18½	18⅞	+½
26¾	18¼	Ryland	.60	3.2	6	234	18⅞	18½	18½	-¼
10⅝	8⅝	Rymr pf1.17		13.		28	8⅞	8¾	8¾	-¼
		– S – S – S –								
41	34⅛	SCEcp	2.58	6.7	10	682	38¼	38	38	-⅛
14½	8⅝	SCOR U	.20	2.0	13	69	10	9⅞	9⅞	-⅛
8½	7⅝	SL Ind	.16	2.1	12	2	7⅝	7⅝	7⅝	-⅛
39¼	30¾	SPSTec	1.28	3.5	15	14	36½	36¼	36¼	-⅛
36⅝	22¾	SPX Cp	1	3.4	6	134	30	29⅝	29⅝	-⅛
17¼	4⅛	Saatchi	.51e	11.		2480	4¾	4⅝	4⅝	-⅛
14⅝	10⅞	SabnR	1.44e	13.	8	31	11½	11¼	11¼	-⅛

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21½	13½	ZenNtl	.88	5.9	9	109	15	15	15	
9⅝	5⅝	Zenix	.90	16.		106	5⅞	5¾	5¾	
18½	12⅞	Zero s	.40	2.8	14	449	14⅜	14¼	14⅜	-⅛
48¾	34	Zurnin	.76	1.6	21	58	48⅞	48	48⅞	+⅞
12⅞	10⅝	Zweig	1.21e	10.		302	11⅝	11½	11⅝	
10	9	ZweigTl	.86	10.		1536	9¼	9⅛	9¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices June 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Presd B		166	47	6⅞	6⅝	6⅝	
Presd A	.10		1270	6⅞	6⅝	6⅝	+⅛
ProCm s			189	3⅝	3½	3½	-⅛

[illegible]

NASDAQ NATIONAL MARKET

3pm prices June 21

[illegible]

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WiserO	.40	24	20	18⅞	18⅞	18⅞	
Wolohn	.28b	10	1376	18¾	18¼	18¾	-½
WlvExp			670	7⅝	7⅛	7⅛	-⅛
Wolv wt			345	3	2⅝	2⅞	+⅛
Worthg	.60	18	80	24⅞	24¼	24¼	-⅛
Wyman	.60		236	13¼	12¾	13¼	
		– X – Y – Z –					
XL Dta		6	597	13¾	12¾	13⅝	+⅝
XOMA			1238	23	21¾	22½	-½
Xicor			850	3¼	3	3⅛	
YanEnS	1.52e	11	72	19½	19	19	-⅛
Yelowf	.76	54	530	30⅛	29½	30	+⅞
YorkRs		23	105	15⅞	15	15⅞	-¼
ZionUt	1.44	9	10	29	28¼	28⅞	+⅛

AMERICA

Programme trading depresses Dow

Wall Street

A WAVE of programme stock index arbitrage, coupled with more profit-taking, sent the equity market around 20 points lower at one stage during the morning session but prices then recovered a little, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 13.12 *lower at 2,882.19 on* modest volume of 87m shares. It had closed 11.38 higher on *Wednesday* at 2,893.56.

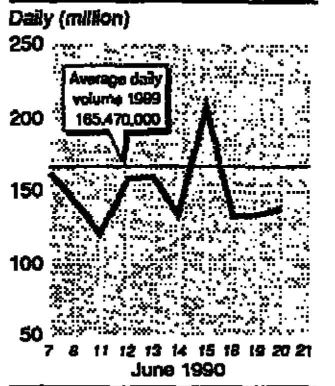
In morning trading, losers led winners on the New York *Stock Exchange by a* margin of six to five, suggesting a relatively even balance of buying and *selling. The fall in the Dow* was more pronounced than in other indices.

There was a chain reaction in the futures market which led to selling of cash stocks after some remarks by Mr Alan Greenspan, chairman of the US Federal Reserve, who said that *sufficient credit appeared to be* available to fuel continued modest economic growth. Traders sold *S & P 500 futures* contracts on this pretext which pushed the futures to discounts to their underlying stocks. This, in turn, led to buying of the futures and selling of the cash stocks. By midsession, the selling had appeared to run out of steam.

The pattern of trading – after Monday's sharp fall of more than 50 points – has been quite consistent. On Tuesday and Wednesday, the market fell in the morning and then recovered ground by the afternoon to close with small gains on each day. This is not

NYSE volume

Daily (million)



particularly surprising given that some stocks looked more attractive since the Monday *sell-off. However, the* correction from Monday's fall has been limited by a generally less sanguine view on the outlook for interest rates.

After last week's stronger than expected industrial production figures, the financial markets were yesterday offered a sharp upward revision in first quarter GNP, largely because of a higher estimate of net exports, to growth of 1.9 per cent from 1.3 per cent previously reported.

The fact that the economy appears to be growing steadily with no apparent deterioration *in price pressures should be* good news for the stock market because it is supportive of cor*porate profitability.*

However, there is now concern about second quarter cor*porate profits, which will be* announced over coming weeks. Some companies have already warned the market that their results may disappoint.

Bucking this trend yesterday was Ashland Oil *which added* $¾ to $37 after it said that it expected to report net income of more than *$1.21 a share* for the June quarter compared with 78 cents a year ago.

Among other featured stocks yesterday was Du Pont which fell $⅞ to $38¼ after the com*pany said that it had* authorised funds to design for plants for the manufacture of alternatives to chlorofluorocarbons.

American Cyanamid gained $¾ to $56⅞ after agreeing to sell its household products business for $465m to Clorox, which fell $2⅞ to $41¼. Clorox estimated that the acquisition would cost it 40 cents a share in the first year and 10 cents a share in the second year.

Pfizer dropped $¾ to $64 on reports of problems with alleged design faults with a heart valve.

UAL added $½ to $156½ on news that the airline's unions are trying to get Boeing and General Electric to invest in their buy-out.

Liggett Group gained $⅛ to $11⅞ on news that it is *restructuring* its tobacco and sports marketing businesses into separate companies.

Canada

TORONTO stocks drifted lower in dull trade at midsession before the June 23 legal dead*line for ratification of Canada's* constitutional pact with Quebec. The composite index fell 7.8 *to* 3,522.7 on volume of 9.46m shares. Declining industrials led advances by 125 to 96.

Gold mines were mixed as bullion prices rose slightly. Lac was steady at C$10½, American Barrick climbed C$⅛ *to* C$20⅞ and Corona was off C$⅛ at C$7⅛. Oil companies did marginally worse despite stronger oil prices. Imperial Oil lost C$¼ to C$56 and Saskatchewan Oil dropped five cents to C$3. Campeau fell 10 cents to C$1.85 after reporting a C$1.7bn loss for 1989 on Wednesday.

Capitalism returns to Hungary

Nicholas Denton captures the excitement as Budapest relaunches

CAPITALISM received its imprimatur in Hungary yesterday, as the Budapest Stock Exchange re-opened in a wave of publicity after an absence of 42 years. But there is much to do as the emerging market moves from spasmodic bond trading into equities.

Dealing is still in the same small room, although the brokers from the 41, mainly new, *securities companies are more* lively traders than the bankers who sat round a table a few *mornings each week for the* last two years.

Only one new stock was *launched to coincide with the* reopening. This was Ibusz, the travel agency which is the nearest *Hungarian equivalent* to a blue chip, and the only share to qualify for a formal listing. Nineteen others are quoted, and have until the end of this year to conform to the *BSE's listing requirements.*

The effect of the opening and the attendant cameras was *mainly psychological, but no* less significant for that. The excited atmosphere contributed to a sharp jump in stock prices and hectic turnover which eclipsed all records.

Yesterday's turnover was estimated at about Ft60m (about $1m), sharply up on the Ft10m average of the first quarter of this year. Ibusz *shares were the main* attraction. Publicly offered earlier this month at Ft4900 each and 23 times over-subscribed, they began the session at about Ft6,000 and were at Ft7,300 at the end of trading, valuing the company at Ft8.8bn ($135m).

Mr Kalman Meszaros, the director of Girozentrale Budapest, who was behind the Ibusz issue, forecast that the shares could go as high as Ft10,000 to Ft12,000, more than double the issue price. A buoyant start for the new market was more important than sophisticated pricing for the issue.

But if Hungarian capitalism was reborn yesterday, the delivery was messy. At the start, trading had to be interrupted because it was too hectic for the technicians to follow. Prices in Ibusz shares swung erratically, as if the exchange was trying to make up for lost time and cram a decade's boom, crash and recovery into 90 minutes.

One of the reasons for the nervousness is that the market is waiting for a signal from Vienna, where Ibusz is also listed. Therein lies a dilemma for the Hungarian Exchange.

A Vienna quotation pulls up a Hungarian company's share price, because foreign investors are more comfortable with the Austrian market and their demand is transmitted by arbitrage to Budapest. But trading in Vienna also threatens to pull shares away from Budapest, as Hungarian individual shareholders sell to high-bidding foreigners who then move these shares to Vienna, the more liquid market.

The long-term prospects of the Hungarian Exchange are clearer, in that they depend on the privatisation of industry. The 390 bonds currently listed and traded have a value in circulation of Ft90bn and the 20 shares traded a value of Ft60bn. On a pessimistic estimate, that 30 per cent of state-owned companies will be privatised over the decade, liquidity should rise by Ft600bn.

Hungary reopening yesterday: all previous records were eclipsed

ASIA PACIFIC

Volatile session finishes with Nikkei unchanged

Tokyo

AFTER a promising start, a day of erratic trading saw investors switching between profit-taking and bargain-hunting, and eventually share prices closed flat, *writes Michiyo Nakamoto in Tokyo.*

Cheap prices and a feeling that the market had already hit bottom rekindled buying enthusiasm early on, and shares edged up in small-lot buying into laggards. But by midday, the buying fizzled out to be replaced by profit-taking which took the Nikkei below the psychologically important 32,000 to a low of 31,922.51.

Small buyers reappeared later and the Nikkei managed to close 0.49 higher at 32,087.27. There was some talk that brokers had been instrumental in shoring up the index; arbitrage activity added to the volatility of the market.

The day's high was 32,316.88, and turnover was unchanged *from Wednesday's at 400m* shares. The Topix index lost 5.24 to 2,361.56 and, in London, the ISE/Nikkei 50 index eased 2.86 to 1,757.89.

High interest rates dampened any enthusiasm for heavily capitalised companies, and earnings-related issues appeared to have lost some of their recent momentum. Many of the latter were hit by profit-taking, including Fuji Photo Film, off Y50 at Y4,340.

Daifuku, a maker of conveyor systems and automatic warehouses, fell Y30 to Y2,790. The company was expected to make a scrip issue for the fourth consecutive year and to report a 47 per cent rise in pre-tax profits. Its share price had earlier hit an intraday high of Y2,870.

The emergence of fresh *news, however, helped some* growth prospects to attract buying. Canon, the camera *maker, surged Y60 to Y1,790 on* reports that it would post substantially higher earnings than expected. Canon climbed to the top of the volumes list with 16.7m shares.

Investors continued to look for scrip issue prospects. Nintendo's buoyant business performance has aroused hopes in that department, and its shares gained Y700 to Y25,900. Katockichi, a frozen food maker, rose to a record intraday high of Y3,780, up Y90 on expectations *that it would report its best* ever pre-tax profits. It advanced Y40 to Y3,730, amid *scrip issue speculation.*

Teikoku Tsushin Kogyo, a manufacturer of electronic parts, rose Y10 to Y1,510, after reaching Y1,530 earlier, on the strength of buoyant sales of its parts for 8mm videocassette recorders. Active buying took Teikoku to third place on the actives list with 6.9m shares.

Large-capital issues were under pressure in Osaka and the OSE average slipped 26.47 to 35,206.28. Volume was still thin at 43m shares but better than Wednesday's 39m. Sakai *Textile, added Y100 to Y1,050* on buying by investors looking for quick profits.

Roundup

A QUIETLY improving tone in most of the region's markets yesterday was broken by politics in Thailand, and currency considerations in Taiwan.

HONG KONG was lifted by foreign and domestic demand, and the Hang Seng index gained 11.82 to 3,246.21. Turnover was HK$2.15bn after the previous day's HK$2.36bn.

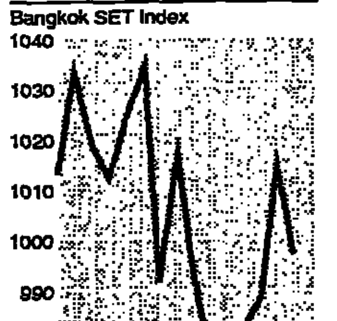
Hutchison Whampoa, the trading house, gained 20 cents to HK$11.50 in busy volume, and Sun Hung Kai Properties rose 30 cents to HK$14.80.

The Stock Exchange is attempting to attract more local investors to the market with a six-week roadshow, starting this week. The exchange said yesterday that a survey of local residents conducted late last year revealed that only 9 per cent of the pop*ulation owned shares.*

BANGKOK lost the better part of Wednesday's 24.83 gain *in the SET index, as hopes of* political stability receded. The former defence minister, General Chavilit Yongchaiyudh refused an offer to rejoin the Government and the index fell 15.78 to 998.33.

Thailand

Bangkok SET Index



AUSTRALIA's volume was boosted to 114m shares valued at A$246m, from Wednesday's 76m and A$166m, by a special *sale of 20m BTR Nylex shares* just before the close. Total volume in BTR was 22.86m shares *as it lost 2 cents to A$2.80.*

Elders IXL was also active, falling 4 cents to A$1.77 on *fears of lower-than-expected* earnings. The All Ordinaries index added 2.7 to 1,505.5.

TAIWAN liked the US dollar better than its own equity market, and share prices dropped sharply in mid-morning. But buying in the financial sector lifted the market off its lows, and the weighted index closed 21.64 down at 5,500.40.

BOMBAY rallied at the end of the two-week account, with the index up 10.00 at 800.31. Tata Power rose Rs55 to Rs630 on Wednesday's news that the Government would allow private and foreign investment in electricity generation.

SOUTH AFRICA

GOLD STOCKS inched up in lacklustre trade as a stronger *financial rand offset a firmer* bullion price. Vaal Reefs gained R9 to R260 and Kloof *was up R1 at R32.75, but* De Beers fell R1 to R91. The gold index added 35 to 1,357.

EUROPE

Jacobs Suchard adds spice to Switzerland

THE PROSPECT that some of Europe's leading confectionery and coffee brands would pass into American hands enlivened trade in Zurich yesterday. Frankfurt rose for the third day in a row, but Milan skidded on fears of industrial action, *writes Our Markets Staff.*

ZURICH focused on Jacobs Suchard, the coffee and chocolate group, which soared on a *report in a Swiss financial* weekly that the majority shareholder, Mr Klaus Jacobs, had struck a deal to sell his controlling stake to Philip Morris of the US. Both companies declined to comment. Jacobs Suchard bearer shares hit a high of SFr7,975 before closing SFr200 better at SFr7,800 in active trading.

The report said Philip Morris would make a public offering for the outstanding shares, paying SFr10,000 a bearer share. Analysts said that the link-up made sense strategically because Philip Morris was not strong in Europe and *Jacobs Suchard's US subsid*iary, Brachs, had made operating losses of $50m last year.

*After the market closed, spo*kesmen for the Zurich and Geneva bourses said trading in *Jacobs Suchard shares would* be suspended today pending an announcement.

The interest in Jacobs Suchard spilled over into other food stocks. Nestlé registered shares put on SFr75 to SFr8,425. The Crédit Suisse index added 0.2 to 656.4 in an otherwise quiet market.

FRANKFURT opened a shade nervously, the DAX falling 6.14 to 1,843.41 with West German newspapers immersed in reunification detail. However, the tone improved over the day as the FAZ rose 4.24 to 786.78 in midsession, the DAX closed 14.02 higher at 1,863.57, and shares rose further in London after hours.

Siemens, up DM6.50 at *DM735, began trading on the* London Stock Exchange yesterday. One of its London sponsors, *SG Warburg, issued a buy* recommendation, and a big West German bank bought the shares, *call options on Siemens* on the Deutsche Terminbörse, and chemical shares to boot.

Turnover rose from DM7.2bn to DM8.4bn as dealers, inspired by recent gains, and strategists, more circumspect, debated whether the DAX had broken convincingly out of a 1,800 to 1,850 trading range, or whether it was still below the 1,870 resistance level.

There has been healthy progress in some *shares*, with Allianz DM62 higher at DM2,705 and DM180 better over *four days, reflecting a big* Swiss order which has not yet been completed; and Metallgesellschaft, up DM23 at DM628 yesterday, and DM43.50 better since Monday.

MILAN fell in sharply reduced volume as the country's three main trade unions called a general strike on July 11. The threat of industrial action raised fears that Prime Minister Giulio Andreotti's hold on the Coalition Government could be slipping. The Comit index lost 9.61 to 748.02.

CIR, Mr Carlo de Benedetti's holding company, bucked the trend to rise L11 to L5,700. After the market closed, there was news of a ruling in favour of Mr de Benedetti in the battle *with Mr Silvio Berlusconi*, the television magnate, for control of the publisher, Mondadori.

PARIS contained a number of active stocks and big movers in an overall dull market, hampered by a lack of liquidity and continued wariness on the part of domestic investors. The CAC 40 index edged up 4.32 to 2,007.98 on the last day of the monthly account. Turnover was about FFr2.7bn to *FFr2.9bn, up from FFr2.5bn.*

Michelin continued to fall in active trading, losing FFr4.50 to FFr110.50 with 777,915 shares exchanged. Several analysts have downgraded their earnings estimates for the tyre-maker. The day's steepest fall was by Eurotunnel, which dropped FFr3.80 to FFr43.

Among the winners, Air Liquide, the chemical company, *rose FFr17 to FFr774 in* unusually heavy trading of 145,650 shares. Air Liquide is *one of the traditional refuges* for investment in a bear market, said one analyst, together with Canal Plus, which gained FFr27 to FFr925, and Accor, which rose FFr22 to FFr1,020.

AMSTERDAM saw foreign demand for banking shares which had drifted down to attractive levels. ABN added Fl 1.20 to Fl 37.60 while Amro firmed Fl 2 to Fl 74.50. Volume remained low. The CBS Tendency index added 0.2 to 120.3.

Aegon rose Fl 1.80 to Fl 129.60 and NatNed was steady at Fl 72.60 after the two insurers said they were exploring the pooling of their Dutch health insurance businesses.

Royal Dutch fell Fl 1 to Fl 142.70 after a US judge ruled *that a Royal Dutch Shell group* unit had violated disclosure laws in its 1985 acquisition of *minority shares of Shell Oil Co.*

MADRID continued to rally after the previous afternoon's gains, with the general index rising 2.07 to 286.81. Electrical stocks rose again, with Union Fenosa gaining Pta10 to Pta458 with 3.8m shares traded.

VIENNA attracted renewed interest from foreign and local buyers, and the bourse index rose 3.92 to 623.70.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 20 1990								TUESDAY JUNE 19 1990					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	139.55	+0.3	120.01	135.81	121.68	118.53	+0.3	5.87	139.20	119.95	135.11	120.86	118.14	158.31	125.85	133.96
Austria (19)	241.91	−0.1	208.04	235.42	210.92	211.14	+0.2	1.30	242.22	208.73	235.11	210.31	210.65	285.63	193.15	122.40
Belgium (61)	150.27	−0.4	129.23	146.22	131.01	127.85	+0.0	4.51	150.88	130.01	146.43	130.99	127.81	160.02	132.11	128.71
Canada (119)	*136.90*	*+0.1*	*117.73*	*133.21*	*119.35*	*116.23*	*+0.0*	*3.49*	*136.75*	*117.84*	*132.73*	*118.72*	*116.20*	*153.61*	*130.37*	*138.80*
Denmark (33)	259.42	−0.7	223.09	252.46	226.18	225.28	−0.2	1.28	261.19	225.07	253.52	226.77	225.84	261.19	236.69	192.00
Finland (26)	135.92	−0.6	116.89	132.28	118.51	112.86	−0.4	2.43	136.73	117.82	132.72	118.72	113.33	152.29	129.99	140.88
France (125)	157.29	−0.4	135.26	153.05	137.12	139.09	+0.0	2.95	157.96	136.12	153.31	137.13	139.13	168.85	141.69	118.50
West Germany (93)	130.29	+1.0	112.05	126.81	113.60	113.60	+1.4	1.97	128.99	111.16	125.22	111.99	111.99	137.71	122.05	88.38
Hong Kong (48)	133.40	+0.3	114.72	129.81	116.31	133.38	+0.3	4.71	133.03	114.64	129.12	115.51	133.02	133.40	112.24	94.60
Ireland (17)	189.85	−0.2	163.26	184.75	165.52	167.50	+0.3	2.62	190.24	163.93	184.65	165.17	167.06	198.57	172.72	133.87
Italy (96)	108.74	−0.5	93.52	105.82	94.81	99.91	−0.1	2.38	109.26	94.15	106.04	94.86	100.00	109.26	91.85	82.58
Japan (454)	147.61	+0.2	126.94	143.64	128.71	143.64	+0.5	0.59	147.26	126.90	142.93	127.87	142.93	197.26	124.40	172.98
Malaysia (35)	225.88	+0.3	194.25	219.80	196.93	235.71	+0.3	2.29	225.13	194.00	218.50	195.46	234.93	245.32	204.15	179.70
Mexico (13)	512.49	+1.1	440.73	498.73	446.82	1596.10	+1.1	0.32	506.93	436.84	492.04	440.14	1578.80	549.86	324.53	256.94
Netherland (43)	*140.76*	*+0.2*	*121.05*	*136.98*	*122.72*	*121.23*	*+0.6*	*4.65*	*140.46*	*121.04*	*136.33*	*121.98*	*120.46*	*145.66*	*130.43*	*119.33*
New Zealand (17)	65.66	+0.5	56.47	63.90	57.25	59.76	+0.5	7.40	65.34	56.30	63.42	56.73	59.44	75.36	59.57	66.47
Norway (23)	235.56	+1.0	202.58	229.24	205.38	206.31	+1.3	1.46	233.22	200.97	226.37	202.49	203.62	245.90	202.34	173.94
Singapore (25)	204.85	−0.3	176.16	199.35	178.60	173.84	−0.3	1.95	205.49	177.08	199.46	178.41	174.39	207.93	179.70	160.41
South Africa (60)	172.88	−1.8	148.67	168.23	150.72	149.07	−1.1	4.00	176.12	151.77	170.94	152.91	150.66	251.39	170.00	145.31
Spain (42)	161.70	+0.4	139.06	157.37	140.98	126.79	+0.7	4.20	161.01	138.75	156.28	139.79	125.88	165.19	132.84	148.84
Sweden (34)	217.59	+0.7	187.12	211.75	189.72	195.69	+1.0	2.07	215.99	186.13	209.65	187.54	193.69	217.59	173.89	162.80
Switzerland (66)	*103.75*	*−0.3*	*89.23*	*100.97*	*90.47*	*90.95*	*+0.1*	*2.27*	*104.06*	*89.67*	*101.01*	*90.36*	*90.83*	*104.31*	*88.75*	*78.91*
United Kingdom (304)	165.55	+0.3	142.37	161.09	144.33	142.37	+0.1	4.76	165.03	142.21	160.17	143.27	142.21	166.11	139.87	139.08
USA (537)	145.19	+0.1	124.86	141.30	126.59	145.19	+0.1	3.35	144.98	124.93	140.73	125.88	144.98	148.55	130.61	130.78
Europe (982)	*148.53*	*+0.2*	*127.73*	*144.54*	*129.50*	*128.25*	*+0.4*	*3.55*	*148.22*	*127.72*	*143.86*	*128.69*	*127.78*	*148.53*	*135.57*	*117.28*
Nordic (116)	207.07	+0.2	178.07	201.51	180.53	175.73	+0.5	1.71	206.74	178.15	200.67	179.50	174.86	207.07	185.01	157.93
Pacific Basin (659)	146.73	+0.2	126.18	142.79	127.93	142.08	+0.5	0.91	146.38	126.14	142.09	127.10	141.40	192.75	124.63	168.61
Euro–Pacific (1641)	147.85	+0.2	127.15	143.87	128.90	137.04	+0.4	1.99	147.52	127.12	143.17	128.07	136.44	174.18	130.35	148.15
North America (656)	144.59	+0.1	124.34	140.72	126.08	143.27	+0.1	3.36	144.39	124.42	140.16	125.38	143.07	147.87	131.02	131.17
Europe Ex. UK (678)	136.81	+0.1	117.66	133.17	119.31	119.48	+0.5	2.76	136.62	117.73	132.63	118.64	118.84	139.50	124.81	103.37
Pacific Ex. Japan (205)	135.42	+0.2	116.46	131.81	118.08	120.85	+0.3	5.07	135.12	116.44	131.17	117.33	120.53	139.32	122.53	116.30
World Ex. US (1833)	*147.94*	*+0.2*	*127.23*	*143.98*	*128.99*	*136.83*	*+0.4*	*2.08*	*147.65*	*127.23*	*143.32*	*128.20*	*136.28*	*173.77*	*131.30*	*147.86*
World Ex. UK (2066)	143.91	+0.2	123.76	140.05	125.48	139.19	+0.3	2.24	143.67	123.80	139.46	124.75	138.72	162.00	130.80	140.96
World Ex. So. Af. (2310)	145.66	+0.2	125.26	141.76	127.00	139.39	+0.3	2.49	145.37	125.27	141.12	126.23	138.93	161.84	131.95	140.75
World Ex. Japan (1916)	146.35	+0.2	125.86	142.43	127.62	137.50	+0.2	3.50	146.13	125.92	141.85	126.89	137.20	147.88	134.62	125.61
The World Index (2370)	145.82	+0.2	125.40	141.91	127.15	139.48	+0.3	2.50	145.56	125.43	141.29	126.39	139.02	162.05	132.25	140.78

Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: At last, a measure of career progress applicable regardless of age or place of work

How to track down high-flying performance

IT IS a truth universally acknowledged that anyone who reads the Jobs column must have soaring ambitions. It is therefore a bit disconcerting to find so many readers evidently worrying whether you qualify as high-fliers.

Since I last touched on the topic 17 weeks ago, more than 80 of you have questioned what must be done to earn the title. And although to my mind you need do no more than persuade your own bosses that you deserve it, the questioners insist that more objective criteria are required.

As it happens, there was an objective measure in the 1960s when high-fliers were so much in vogue in Britain that the BBC made a TV programme about them. To qualify for inclusion, you had to be earning at least £2,000 a year before the age of 30.

But while the pay figure could be updated to allow for inflation, the 1960s measure was plainly misconceived. It is nonsense to rule that people who have reached their 30th birthday can no longer fly high in their career.

That is why, 17 weeks back, I referred solely to the criterion dreamed up by pay gurus Don McClune of Noble Lowndes, and Helen Murlis of Peat, Marwick, McLintock. They defined high-fliers as folk whose annual pay amounts to at least £1,000 for each year since their birth – a criterion achievable no matter how old you may be.

It nevertheless failed to satisfy most of the people who replied. The British among them typically objected that while it might aptly gauge outstanding progress across the bulk of jobs, in a good many cases it fell far short. In City banking particularly, I was told, the pay figure would often need doubling and sometimes trebling for the criterion to hold true.

But the most shaming criticisms came from overseas. They were typified by a Spanish reader's complaint that the measure was "chauvinistically sterling-centred." He could appreciate that one small nation found £1,000 for each year lived a convenient figure to handle. It was not convenient to those who thought of the same sum, for instance, as 173,000-odd pesetas.

At which point, had the demands for a better yardstick seemed merely jocular, I would have taken the topic no farther. But as most of them were evidently in earnest, I told Mr McClune what had happened. As a result, Noble Lowndes has now devised a more widely applicable way of deciding who flies high. While more complex than the old rules of thumb, the new measure can be quickly worked out from professionally compiled pay surveys.

An idea of how it operates can be gained by first visualising a ranking by pay of numerous people doing similar jobs, and focusing on a person a quarter way down from the top who, although earning less than the 25 per cent placed higher, gets more than the 75 per cent below. That person's earnings represent the "upper quartile" pay figure for the ranking.

The next step is to visualise the same people ranked by age, but this time to focus on the person a quarter way up from the bottom who, although senior in years to the 25 per cent underneath, is younger than the 75 per cent placed higher. That person's age is the "lower quartile" age for the group of similar workers.

The new gauge starts out by defining high-fliers as people no older than the lower quartile age for their group, who are earning at least the upper quartile pay figure. Naturally, if left just like that, the measure is guilty of the same sin as the 1960s yardstick. Nobody above the lower quartile age can qualify for the title.

But the sin can be wiped away by simply dividing the upper quartile pay by the lower quartile age, which results in a "pay/age ratio" expressed in money. The ratio acts as a threshold figure for identifying high-fliers. No matter how ancient people are, if they are earning at least that sum for every year since their birth, they are flying high. Moreover, the ratios can be used for broad-brush international comparisons by converting them into other currencies at prevailing exchange rates.

As an illustration, Noble Lowndes has applied the gauge to its latest pay survey covering nearly 300 companies in Britain. The money criterion is total cash pay – salary plus bonuses and suchlike – and the results for chief executives and heads of a range of specialist departments are shown in the table above. It first gives the two quartile figures and the ratios across all industry and commerce, including City of London banking. Then it does likewise for the City concerns in isolation.

Type of manager	All industry & commerce: Upper quartile cash pay £	Lower quartile age	High-fly pay/age ratio £	City banking sector: Upper quartile cash pay £	Lower quartile age	High-fly pay/age ratio £
Chief executive	97,000	43	2,256	134,750	44	3,063
Finance head	65,000	38	1,711	63,000	35	1,800
Personnel head	51,500	40	1,288	51,000	41	1,244
Sales head	47,500	38	1,250	–	–	–
Production head	51,000	42	1,214	–	–	–
D-P head	42,000	38	1,105	66,500	38	1,750

For cross-country comparison, multiply ratio by amount of local currency exchangeable for £1

In every case the high-flier threshold is above the rule-of-thumb £1,000 for each year lived, and is over twice as great across all the chief executives. For the City chiefs, the ratio bears out readers' claims that the old figure would sometimes need to be trebled.

Since Noble Lowndes cannot supply matching pay and age statistics for other countries at present, international comparisons must be distinctly uncertain. But on the evidence of separate surveys, only four European countries appear to have sterling-equivalent thresholds for all types of chief executives which are lower than Britain's ratio. They are Ireland, Norway, Greece and Portugal, whose thresholds range respectively downwards from about £1,900 to £1,100.

The Swedish and Finnish ratios are only a little above the British figure at approximately £2,400. But thereafter the threshold rises successively higher through Luxembourg, Belgium, Spain, the Netherlands, Denmark, France, Italy, Austria, and West Germany, to peak at £3,600 in Switzerland.

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All applications will be forwarded unopened to our client. Please send a covering letter listing any company to whom your application should not be forwarded.

French Equity Sales Executive and Graduate Opportunities in London

Crédit Commercial de France (CCF), the European Banking Group headquartered in Paris, is expanding its French Equity Team in London. As a result we have opportunities for at least two self-motivated, bright candidates who have a reasonable fluency in French.

French Equity Sales Executive

The ideal candidate should have at least 2 or 3 years experience in European or UK Equities. *The successful candidate will join an* experienced French Equity Team servicing UK based clients.

Graduate Opportunities

We are also looking for graduates with a degree in business studies or equivalent to work with CCF's French Equity Team in London.

Competitive salary packages will be offered to successful candidates. Please write in confidence to James Hepworth enclosing a *full* C.V.

CCF

Credit Commercial de France (UK) Ltd.,
27 Finsbury Square, London EC2A 1LP, 071-628 1111.

MANAGING DIRECTOR

Required for pre-cast concrete manufacturing company based in South Wales.

Excellent opportunity as the company is geared for expansion.

Please send CV to Box A850, Financial Times, One Southwark Bridge, London SE1 9Hl

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ABERDEEN FUND MANAGERS LTD

Member of Aberdeen Trust Group of Companies
(Member of IMRO)

- Top performing UK authorised unit trust in 1988 and 1989.
- Fastest growing Scottish investment house.
- Scottish Unit Trust Manager of the Year 1989.

We are expanding our London office, which deals with the Group's International investment, and require two additional fund managers to complement the Far East investment team. The entry level will be dependent on the quality of applicant, who should have direct investment experience in his/her area of interest.

A flexible and attractive package is offered.

Please reply in writing to: - Mrs Sheila Bone, 99 Charterhouse Street, London EC1M 6AB

PROPERTY BUYERS!

You are looking for real-estate or commercial property in the South of France, direct contact with the vendor, possibility of *arranging complete financing, free estimate.* Please contact us, mentioning the place and type of property you require.

Send your inquiry to: C.I.N. Intern. Residence Bonaventure, 3 Avenue de la Synagogue, 84000 AVIGNON, FRANCE. Fax: 90862229. You will receive free of charge information on a range of properties visited and selected for you.

CREDIT CONTROLLER

SOUTH COAST — **c. £30,000 + CAR**

Our client, an established financial services group with over half a million private customers, is keen to appoint a professional to its specialised management team. *The key attributes in the selected candidate will be –*

- **a wide experience in private, partnership and commercial credit assessment**
- ***the ability to be a team player***
- **capable of contributing to strategic development at managerial level**

The role is challenging with excellent potential. Please write in confidence, enclosing career details, to.

Hammond Associates
35 Hill Street London W1X 7PD

ACCOUNTANCY COLUMN

The need to set a standard – and an example

By David Waller

URGENTLY REQUIRED: a new accounting standard to govern the way the UK's bigger firms present their annual figures.

Those numbers – restated here after errors crept into the league table published a fortnight ago – do not match the quality of financial reporting expected of the firms' corporate clients.

For a start, the firms do not disclose profit figures. That is foolish for a number of reasons, not least because public attention devoted to the admittedly spectacular growth in fee income encourages an obsession with turnover growth which may be at the expense of attention to real profits performance.

The second difficulty is that the segmented analysis offered here is somewhat suspect. Some firms, for example, include corporate finance fees within consultancy while others put them under the auditing head. There is no way of telling from these figures.

It is also difficult to tell exactly what is meant by fee income. Does this vital figure represent aggregate billings, as for an advertising agency, or simply the net fees generated during a trading period? There is no industry standard to help the firms decide, and it is likely that the fees here are measured in as many different ways as there are firms.

Rank	Firm	1989/90 (£m)*	Change %	Audit (£m)	Mgmt. Consultancy (£m)	Tax (£m)	Insolvency (£m)	Partners	Prof staff	Prof staff/partner ratio	Fees/partner ratio (£000)	Fees/total prof staff ratio (£000)
1	Coopers & Lybrand Deloitte‡	531.0	28.3	245.0	129.0	116.0	41.0	735	8,189	11.14	722.45	59.50
2	Peat Marwick McLintock‡‡/★	395.2	25.2	237.7	65.9	73.0	18.6	560	7,508	13.41	705.71	48.98
3	Ernst & Young‡‡‡/★	337.5	23.2	163.3	67.6	84.2	22.4	420	5,763	13.72	803.57	54.59
4	Price Waterhouse‡‡‡‡/★	300.1	35.2	127.5	85.0	73.8	13.6	421	4,486	10.65	712.83	61.33
5	Arthur Andersen★	194.4	34.9	55.8	86.1	45.0	7.5	187	2,515	13.46	1,039.6	71.87
6	Touche Ross†	169.5	21.7	83.9	39.2	34.9	11.5	247	2,862	11.59	686.20	54.55
7	BDO Binder Hamlyn★★	105.5	18.5	57.0	6.3	32.7	3.2	238	2,170	9.12	443.28	43.81
8	Grant Thornton§/★	102.5	19.2	48.4	4.3	25.9	12.5	249	2,072	8.32	411.65	44.16
9	Spicer & Oppenheim★★	92.3	10.9	41.0	19.2	23.6	8.5	187	1,799	9.62	493.58	46.47
10	Panell Kerr Forster★★	76.2	20.8	45.0	4.5	17.5	5.9	222	1,789	8.06	343.24	37.89
11	Stoy Hayward††/★	58.8	22.8	30.8	9.8	11.6	6.6	120	1,150	9.58	490.00	46.30
12	Moores Rowland★★	57.0	15.4	NA	NA	NA	NA	226	1,465	6.48	252.21	33.71
13	Clark Whitehill★	53.7	29.4	37.1	2.7	10.6	0.3	230	1,487	6.47	233.48	31.28
13	Kidsons Impey†††/★★	53.7	22.0	33.3	3.7	12.4	4.3	189	1,421	7.52	284.13	33.35
15	Robson Rhodes★★	34.1	16.4	15.5	6.0	9.4	3.2	76	545	6.49	448.68	47.30
16	Neville Russell★★	32.2	18.1	19.0	3.2	8.4	1.6	84	615	7.32	383.33	46.07
17	Moore Stephens★★	29.1	14.6	12.9	7.2	7.6	1.4	122	694	5.69	238.52	35.66
18	Baker Tilly★★	22.9	15.1	10.7	6.4	4.9	0.9	57	400	7.02	401.75	50.11
19	Haines Watts★★	16.8	51.4	NA	NA	NA	NA	43	303	7.05	390.70	45.55
20	Macintyre Hudson★★	14.6	16.0	6.0	1.0	3.2	---	44	330	7.50	331.82	39.04
20	Saffery Champness★★	14.6	15.9	NA	NA	NA	NA	39	260	6.67	374.36	48.83

NOTES
*net of recoverable expenses; ‡result of merger between Coopers & Lybrand and Deloitte Haskins & Sells. ‡‡includes Northern Ireland but excludes Channel Islands and the Isle of Man. ‡‡‡result of merger between Ernst & Whinney and Arthur Young; ‡‡‡‡excludes Channel Islands. †excludes Channel Islands and the Isle of Man. ††includes UK MRI Associates. Moores Rowland's fee income was £31.31m. †††result of merger between Kidsons and Hodgson Impey (excluding results of Liverpool & Humberside partners who did not join the merged firm. Kidsons's fees for 1989 were £26.4m and Hodgson Impey's £23.0m). [illegible] Coopers & Lybrand Deloitte [illegible] Touche Ross [illegible] §£11.4m mainly corporate finance. NOTE. Audit fees in most cases include financial advice and related work. In some cases fee income split may not add to 100% because of rounding and in some cases some of the income does not fall into the usual categories.

Research by Jan Schilling

Another complication arises for international firms: just where do the fees originate? If a London-based consultant is flown out to a client in Frankfurt, it is quite clear that his or her fees ought to be counted as UK fees. But if the project requires squads of local labour, should the total fees be included within the UK figure just because the lead partner happens to be British?

There are no external investors in accountancy firms as yet, and perhaps industry observers should be pleased that the firms bother to release any data. But the firms provide a bad example to their clients, and there is a danger that clients will follow suit, opting for obfuscation rather than disclosure.

Better financial reporting from the firms would be in the public interest because it might encourage better reporting in the corporate domain.

It would also be interesting to a public which has been indulging in vain speculation about partners' earnings for decades. If partners are squeamish about giving too much away, it is surely not beyond their wit to publish a profits figure which is as meaningless as the fee income figure.

ACCOUNTANCY APPOINTMENTS

LILLEY

Finance Manager

Eden Construction

c £30,000 + Bonus — Carlisle

Challenging, varied position with real scope for a commercially minded accountant to work closely with the MD contributing to all aspects of the management of this fast growing subsidiary of a major commercial group.

THE COMPANY

◇ Profitable, well established subsidiary of high profile group.

◇ Major construction, civil engineering and associated activities; new phase of growth and development.

◇ Turnover c£70m, blue chip client base.

THE POSITION

◇ Full responsibility for financial control and management information in a stimulating, ever changing environment.

◇ Reporting to MD; close links to QS function.

◇ Enhance current systems and introduce group control initiatives.

QUALIFICATIONS

◇ Qualified Accountant. Aged 30's with senior level experience in a major construction group.

◇ High professional standards, systems empathy coupled to man management ability.

◇ Confident, self-starter with drive and initiative.

Please reply in writing, enclosing full cv,
Reference GJ2413
78 St Vincent Street, Glasgow, G2 5UB

N-B SELECTION LTD

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SLOUGH • 0753 694844 • HONG KONG • (HK) 5 217133

Financial Controller

Hamilton Insurance

c £40,000 + Full Benefits — Thames Valley

Exciting and challenging position in the insurance division of a dynamic, international financial services group. Outstanding opportunities for rapid career development.

THE COMPANY

◇ Hamilton Insurance is a subsidiary of HFC Bank, the UK arm of Household International Inc. of the U.S.A.

◇ Competitive and growing range of products sold through the Bank's 170-strong branch network.

◇ Highly motivated, professional management team, strong financial base and ambitious development plans.

THE POSITION

◇ Full responsibility for financial reporting of the insurance companies; manage and motivate a growing team of professionals.

◇ Develop strong business systems to enhance the Company's leading edge.

◇ Key member of the management team reporting to the Director of Finance working directly with top management on ad hoc projects.

QUALIFICATIONS

◇ Graduate, qualified accountant ideally aged 27-35 with at least 3 years post-qualifying experience.

◇ Knowledge of the insurance sector is essential.

◇ A self-starter, creative and numerate with strong communication skills, a confident, assertive personality with the ability to implement change.

Please reply in writing, enclosing full cv,
Reference SJ2517
Orion House, Grays Place, Slough, SL2 5AF

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Group Treasurer

International Specialist Engineering

c £40,000 Package — Wessex

A new position in a fast growing and acquisitive company seeking to establish a proactive treasury function to develop the financing structure in support of its future growth plans.

THE COMPANY

◇ Highly successful and respected international Plc. Turnover £300m with 40% overseas.

◇ Enviable record of rapid growth both organically and by acquisition, under dynamic management team.

◇ Focused portfolio of manufacturing businesses in specialist engineering.

THE POSITION

◇ Establish a full service worldwide Group Treasury function including control of working capital.

◇ Challenge to develop international cash and FX exposure management.

◇ Full involvement in already sophisticated medium term funding.

QUALIFICATIONS

◇ Ambitious, creative Treasurer. Graduate calibre, ideally qualified Accountant.

◇ Several years treasury experience in a growing international group.

◇ Strategic thinker with the stature to win respect at senior level.

Please reply in writing, enclosing full cv,
Reference BJ2411
NBS, Bennetts Court, 6 Bennetts Hill, Birmingham, B2 5ST

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Finance Director

Manufacturing

c £35,000 — North East

Commercial Finance professional to work closely with young, energetic Managing Director, in controlling independent profit centre of prestigious UK Plc.

THE COMPANY

◇ £12m turnover subsidiary of division of FTSE 100 manufacturing group.

◇ Principal activity in manufacturing and engineering. Internationally based.

THE POSITION

◇ Member of Senior Management team with complete responsibility for finance and data processing functions.

◇ Key task in introducing a fully integrated MRPII system.

◇ Full participation in overall business strategy.

QUALIFICATIONS

◇ Qualified Accountant, early mid 30's with a successful track record of financial management in a manufacturing environment.

◇ Strong controllership and computer based systems experience.

◇ Engineering background, international and group experience desirable.

◇ Strength of character. Well developed commercial skills. Top management potential.

Please reply in writing, enclosing full cv,
Reference MJ2414
Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP.

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Head of Internal Audit

Industrial

c £35,000 + Car/Benefits — Midlands

A challenging senior appointment to establish internal audit in an expanding international UK Plc as part of its continuing drive towards excellence in financial management. Clear promotion prospects into other senior financial management roles.

THE COMPANY

◇ Significant UK Plc with divisional structure and multi-site operations in UK, USA and Europe. Turnover exceeds £200m.

◇ Strong central finance function with Divisional Finance Directors. Computerised systems.

THE POSITION

◇ Establish, manage and develop team in new internal audit function. Report to main board Finance Director.

◇ Review accounting, computer systems and business operations. Liaise with external auditors.

◇ Implement changes to maintain highest accounting standards.

QUALIFICATIONS

◇ Ideally Chartered Accountant, with experience of Internal Audit from international industrial group.

◇ Management ability, with drive, determination and attention to detail.

◇ Good communicator. Stature. Aged 28 - 35.

Please reply in writing, enclosing full cv,
Reference BJ2515
NBS, Bennetts Court, 6 Bennetts Hill, Birmingham, B2 5ST

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Group Financial Controller

British Plc

c £45,000 + Bonus + Benefits — London

Dynamic quoted group, a management buy-in with exciting plans for growth through acquisition. Varied and challenging financial role with excellent career prospects.

THE COMPANY

◇ £100m turnover plc, prestige products and services, operating in three separate markets including the fast growing consumer leisure sector.

◇ Record growth and profits achieved in 1989 for existing and new businesses.

◇ Exceptionally strong management team. Focus on continued expansion.

THE POSITION

◇ Responsible to F.D. for all financial reporting, controls, analysis and forecasting.

◇ High profile position, ad hoc work for Main Board and senior line managers.

◇ Acquisition appraisal and integration. Involvement in treasury, tax planning and corporate finance.

QUALIFICATIONS

◇ Graduate C.A., 30-35. Large company training, small company experience, preferably in a multi-national environment.

◇ Mix of staff and line experience, controlling more than one business. Knowledge of manufacturing preferred.

◇ Ambitious professional, sharp and enquiring mind, well developed interpersonal skills.

Please reply in writing, enclosing full cv,
Reference SJ2518
Orion House, Grays Place, Slough, SL2 5AF

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ACT

GROUP ACCOUNTANT

Birmingham — Package of c.£25,000+Car+Plc Benefits

The ACT Group plc, formerly Apricot Computers plc, is one of the UK's largest dedicated software and service Groups and at the forefront of the Information Technology Industry. Following substantial acquisitions in these markets and the sale of its hardware division, the Group now comprises 5 profitable businesses in the high growth areas of computer software and services. It is against this background of innovation and opportunity that, to further complement its existing head office accounts team, the Group is seeking to appoint a Group Accountant.

Your responsibilities, in conjunction with the team, will embrace the preparation of consolidated monthly management accounts, budgets, profit and cash flow forecasts and the production of annual and half-yearly financial accounts. In addition, you will be involved in monthly board reporting, internal systems development, as well as ad hoc projects, such as divisional support as required.

This challenging post requires a professionally competent individual with positive personal qualities. Candidates should be qualified Accountants with at least 18 months' post qualification experience, preferably gained within a head office environment. Of key importance is a demonstrable record of achievement in the provision of reliable and accurate financial information and evidence of an ability to communicate and relate to individuals both within and outside of a central accounts function. Thus personal qualities of confidence, flexibility and self-motivation are sought. This is a team-orientated role and a willingness to take part in the team's activities is essential. Prospects for personal and career development within the Group are excellent.

For a position of this nature, the Group offers a competitive salary package, related to experience, including car, health insurance and pension plan along with life insurance.

Applications should be submitted in writing, enclosing full career and salary history, quoting reference B/288/90, to David Gibbs.

KPMG Peat Marwick Selection
Peat House, 2 Cornwall Street, Birmingham B3 2DL

Management Opportunities In Financial Planning/Analysis

High Technology Products

Southern England, To £35,000, Car, Benefits

An established world leader and part of a powerful plc, this £160m business has an outstanding reputation for excellence in the field of high technology engineered products. Working closely with an international customer base, the business constantly ensures that its products meet the demands of latest developments. To further strengthen its position the company has committed to significant investment in a strategic action programme and is seeking a Financial Planning and Analysis Manager to facilitate this important exercise. Responsible for all aspects of financial modelling, planning and budgeting, you will lead a small team dedicated to the provision of information to senior managers. In the age range 25 to 33 years, you will ideally be a graduate with CIMA status. Your experience should include a period spent in a volume manufacturing environment where you will have contributed to the process of planning, via innovative and sophisticated means. Highly motivated and determined, you will be eager to develop your leadership skills in this progressive and stimulating organisation. As a possible first step into senior management, your career aspirations will be realised via a training and personal development programme. The exceptional remuneration package and relocation terms emphasises the desire to attract high calibre individuals.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *A.E. Philipps*, Hoggett Bowers plc, *11-12 Queen Square*, BRISTOL, *BS1 4NT*, 0272-298433, Fax: 0272-279714, *quoting Ref: D15027/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

Group Finance Director

Acquisitive Services plc

c £60,000 plus options **London**

Commercially minded young Finance Director sought to assist new CEO bring rapid acquisition-led growth to profitable well resourced oil services plc. Developing operating subsidiaries, steering the acquisitions programme and interfacing with the investment community. This role will suit a very bright, ambitious finance professional with balanced line and plc corporate experience. Significant opportunity for capital gain.

THE ROLE

- Joining the CEO as one of two executive directors on the plc main board. Responsible for the full spectrum of financial management.
- Monitoring and assisting four autonomous subsidiaries, defining the group development strategy, targeting and negotiating acquisitions, supporting the CEO with investor relations.
- Pivotal role in a planned *£10-100m cap.* growth programme.

QUALIFICATIONS

- Sharp ACA/FCA *aged early/mid 30's*. First class professional training, and fast-track career record in respected plc incorporating senior line finance and corporate development positions.
- Exposure to corporate planning, acquisitions targeting and negotiation, the yellow book and working with City advisers important. Practical financial management experience also vital. Oil sector experience useful but not essential.
- Progressive, commercially imaginitive and highly motivated. Flexible enough to work on the operational and strategic plane with the credibility to gain acceptance at any level.

Please reply in writing, confidentiality assured, enclosing full details to:
Ref. F41960L, 3rd Floor, Brook House, *113 Park Lane, London W1Y 4HJ*.

London
071-493 1238

The Selection Division of
Spencer Stuart & Associates Ltd

Manchester
061-941 3818

Finance Director

A Tremendous Opportunity For A Young High Flier With An International Branded Manufacturer

South East,

c £40,000, Bonus, Share Option Scheme, Car

This rapidly expanding £50m group, an ambitious and aquisitive plc, *is a major* household name and a leading branded manufacturer of a range of FMCG products. They supply to both the consumer and industrial markets in the UK and 30 countries overseas. As part of their exciting development plans, they have created a new position for a talented, ambitious accountant who will be responsible to the Managing Director for the management of its finance function, the quality of its management information and the effectiveness of its operating systems and controls.

A graduate, qualified accountant, aged 30-36, you will have a proven track record predominantly gained in autonomous roles within a 'blue chip' manufacturing organisation, ideally in FMCG. In addition to having the presence to lead and motivate an enthusiastic team of 30 and inspire your colleagues, your other personal qualities of integrity and drive will be self evident.

This is an exceptional career opportunity in which the successful applicant will be expected to join the board within a year, with excellent prospects of eventually leading to a general management position elsewhere within the group. *There is flexibility in the salary package for outstanding* candidates and relocation expenses are provided to the accessible and attractive area in which their Headquarters is located.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *J Thorne*, Hoggett Bowers plc, *61-69 Newmarket Road*, CAMBRIDGE, *CB5 8EG*, 0223-324441, Fax: 0223-323250, *quoting Ref: F13078/FT*.

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

US reporting skills for UK plc

CPA or ACA

+ relevant experience

Surrey

to £40,000 package

With *significant* US and other international interests our client is recognised as one of the most successful British multi-national manufacturing groups. It is now planning a listing in New York and already has one in Tokyo.

To manage these changes a new position has been *created within the Group Chief Accountant's team*. This will require experience of SEC reporting and US accounting and will provide a rare challenge *in the UK for a* CPA *or* US experienced Chartered Accountant. The purpose of the appointment is to provide executive management and investors with statutory US information and to progress the group's listing plans. There will be a range of contacts from US advisors to operating units.

Candidates must have several years post qualifying experience gained with a major practice or similar multi-national group. There are genuine *career opportunities* both *in* the UK and USA once this project has been successfully completed.

The package includes a fully expensed car and other fringe benefits as expected of a major group, including relocation expenses if necessary.

Please write, enclosing a full career/salary history and daytime telephone number, to John Sleigh FCCA quoting reference J/937/F.

LONDON, WEST END £35,000 + CAR

Financial Controller

Formed in 1987 and part of a privately owned group, this commodity trading company has demonstrated remarkable growth with turnover escalating from £66m *in 1988 to £180m in 1989*. Our client is seeking to appoint a highly innovative individual to develop a new key role as part of a management dedicated to further rapid but sound *expansion of the business*.

You will, as Financial Controller, be managing a small proficient team responsible for providing analysis of business performance and profitability, utilising a newly implemented management information system. This system will *require* further enhancement in the future in accordance with management needs.

You should be a qualified accountant, probably in your thirties with varied management reporting experience. You should have strong technical abilities, be well versed in the application of personal computers for financial reporting, and possess business acumen.

Please send full personal and career details stating *companies to which details should not be forwarded*, to Robin Alcock, Coopers & Lybrand Deloitte. Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB *quoting ref RA 716 on both envelope* and letter.

Coopers & Lybrand Deloitte — Executive Resourcing

LONDON AREA c.£55,000

Financial Manager

MULTINATIONAL GROUP

A major consumer goods multinational with headquarters in the London area seeks a top-flight young manager to join their senior management team and to *act as a strong financial link between Head Office* and a group of overseas subsidiaries. The role is both strategic and tactical with components of financial policy, planning, advice, control and independent ad hoc project work requiring experience in funding or financial restructuring.

Candidates must be result and profit-oriented business persons able and willing to move later into a general management role in an overseas subsidiary and ultimately into a top financial or general management position in a large company.

We would like to hear from ambitious qualified accountants, not over 37, who have worked in responsible management positions overseas and gained Multinational Head Office experience, preferably in a consumer goods industry. Fluency in French or Spanish would be an advantage.

Please send full personal and career details in confidence to Heather Francis, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference HS712 on both envelope and letter.

Coopers & Lybrand Deloitte — Executive Resourcing

Touche Ross

Otford Group Ltd

Otford Group Ltd is an independent private company with a range of businesses in the manufacturing, property and automotive industries. Following a period of growth and diversification, two new positions have been created.

Group Finance Manager — Kent – £ Competitive + bonus

Following devolution of the accounting responsibilities to the operating divisions, a new appointment has *been created to assist with the financial management of the group.*

As Group Finance Manager, you will be required to make frequent visits and occasional secondments to the divisions, to investigate and implement procedures for all group activities. Within Head Office you will report to the Group Finance Director and be responsible for co-ordinating the preparation of consolidated management accounts. Your duties will also include assistance in the investigation of acquisition targets and recommendations on further investment in Information Technology.

The position will demand adaptability, technical competence and the ability to liaise with management at a senior level. It is envisaged that candidates will be qualified accountants with five years experience, preferably in the manufacturing or automotive sectors. The group has invested in sophisticated computer networks to link Head Office systems to operating divisions. Accordingly, extensive experience of *computerised accounting and office systems will be considered essential.*

Finance Manager — East Midlands – £ Competitive + bonus

The Automotive Division, with a turnover of approximately £20 million, is seeking to strengthen its financial management.

As Finance Manager, you will be responsible for all aspects of financial management at the four sites which comprise the Division, including submission of management accounts. Your duties will include preparation of budgets, the maintenance of accounting systems and procedures and the supervision of accounting staff. You will work with the Divisional Director in improving the operational efficiency *of the units, by providing the necessary financial information and advice on which to base* commercial decisions.

Applications are invited from qualified accountants with at least three years experience preferably in the motor industry. Candidates should have first-hand experience of computer systems, and be familiar with the modern techniques of financial management.

If you believe that you have the qualities necessary to undertake either of these positions, please send a comprehensive career résumé, including salary history and day-time telephone number to P. R. Lemanski or Miss M. Wray, Executive Selection Division. Please quote reference number 1110 for the Group Finance Manager position and 1120 for the Finance Manager position.

MANAGEMENT CONSULTANTS Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP. Telephone: 0272 211622.

LUXEMBOURG

Finance and Operations Manager

BF2 Million +

We are a rapidly expanding firm of 30 persons with a diversified international clientèle to which we provide accounting and company advisory services.

We wish to appoint a Finance and Operations Manager who will report to the directors and will assume overall responsibility for implementing and controlling internal procedures and methods. The person selected will supervise our internal accounting as well as assist in the development of our micro-computer system. Other functions will include handling special projects as assigned by the directors.

The ideal candidate has:
- Obtained a qualification at University level in accounting, economics or a similar discipline.
- Several years experience in a professional firm in a managerial capacity
- An in depth knowledge of micro computers including exposure to Database, Wordperfect and Lotus 123 programs
- Good command of *French* and English
- Age 25-35
- Non-smoker

It is essential to be able to work within a young lively office environment. The rewards available are commensurate with the high standards we require and the seniority of the position. Please reply in the first instance with full curriculum vitae to:

Fiduciaire Rutledge, Tabery, Wilson S.A.

7, rue Pierre d'Aspelt - P.O. Box 864 - L-1142 LUXEMBOURG

European Financial Controller

Expanding US Footwear & Clothing Group

Feltham, Middlesex

£40-45,000
+ Car
+ Benefits

The Timberland Company is a high successful quoted US group, manufacturing and marketing worldwide on exclusive range of quality footwear, clothing and accessories for the expanding outdoor and leisure market.

With marketing and distribution subsidiaries now firmly established throughout Europe, a new management team is now being assembled to spearhead their future growth and development in key European markets.

Working alongside the European MD, you will be responsible for the overall financial direction of these European operations. As well as ensuring the efficient operation of the subsidiary finance functions, you will provide meaningful and accurate Divisional information to US and European management. However, central to your success in this demanding role will be your input to key decisions effecting every aspect of business policy and operation, *allowing you to make a major contribution to the Division's profitable and controlled* expansion.

The ideal candidate will be an ambitious qualified accountant, aged 28-35, with energy and flair, a decidedly European outlook, and an above-average level fluency in at least one European language, preferable German or French. Your experience is likely to include exposure to distribution or retailing in a progressive and fast-moving, marketing-lead organisation.

For further information, and to discuss this appointment in confidence, call **Neil Wax**, *Consultant to the Company, on* **071-387 5400** *(evenings 0923 819298), or write with full* CV and salary details, quoting ref: 10223 to **Financial Selection Services,** Drayton House, Gordon Street, London WC1H 0AN. (Fax: 071-388 0857)

FINANCIAL SELECTION SERVICES
Executive Selection Division

Timberland

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At Price Waterhouse, the success of our tax practice has been built on strong organic growth, commercially active clients and the leadership of 119 tax partners, of whom 75 have been admitted in the last five years.

Stability, continuity and a clear path to the top. These are some of the reasons why so many experienced tax managers have joined us recently.

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Please write, in confidence, with detailed CV, quoting reference FT/060/63, to: John Townend, Head of Tax Recruitment, Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY. Tel: 071-939 3000.

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Of degree calibre, your solid commercial experience will be enhanced by your progress towards or achievement of professional accountancy qualifications. Excellent communications skills and the ability to build effective working relationships will be essential.

For all positions the career prospects are excellent – matched only by a superb remuneration and benefits package. To find out more, write to the **Confidential Replies Supervisor, Ref. 0702 Kingsbourne House, 229–231 High Holborn, London WC1V 7DA**, clearly indicating the names of any organisations to whom your application should not be sent.

KINGSBOURNE ADVERTISING

Devon ......
A Lot More To Offer Than Natural Beauty

Outstanding natural beauty combined with a thriving economy, progressive ideas, and all the advantages of a modern society, this is the face of today's Devon. This presents a major challenge to the county's Engineering and Planning Department - to protect Devon's environment whilst ensuring economic growth. To meet the challenge the Department has become one of the most innovative, progressive and technologically advanced in the country

Finance Manager
Up to £25,359
Lease Car
(Pay award pending)

This is a rare opportunity to develop your management skills and influence the financial development of a major department of the County Council.

We are looking for an individual wishing to develop their career in financial management. Ideally you should be a Graduate and you will need either to possess a management qualification or be a qualified Accountant and be able to demonstrate excellent financial management skills. Enthusiasm, commitment, a mature approach and the ability to innovate and develop imaginative solutions are essential. Experience of local government would be an added advantage

The Department operates currently with a budget of around £60m revenue and £16m capital in a County with by far the greatest road length in the country. A close working relationship exists with the County Council's Treasurer's Department.

We offer a generous relocation package, attractive office location and staff social club. In addition, we also offer a lease car with up to 90% of the cost paid by the County Council.

For an informal discussion please contact David Caldicott on (0392) 272138 or David Hughes, Assistant County Engineer on (0392) 272107.

If you feel you can meet the challenge, please write to or telephone the Personnel Section, Devon County Council, Engineering and Planning Department, County Hall, Topsham Road, Exeter EX2 4QW. Telephone: (0392) 273230 (24 hours) for an application form and information pack.

Closing date: 6th July 1990.

Devon COUNTY COUNCIL

FINANCIAL CONTROLLER
c£30K

HHB Communications Ltd, currently sell professional broadcast, communication and recording equipment at the leading edge of technology, in the UK and European markets.

We now require an individual with a good grounding Accountancy, to produce all the information necessary for the Board to oversee the future growth of the Company.

We are looking for a self motivated Financial Controller to prepare management information, cash flow and budgetary control, credit control, financial and managemtn accounts.

Candidates are likely to be 27 to 40, with a solid base of practical and theoretical knowledge and good analytical skills. A qualification would be an advantage but accountable experience is essential including computer literacy.

HHB can offer an expanding future for someone who wishes to join this young growing Company.

Company car, pension and other benefits

Write on one side of A4, why you feel you can do this job, including what experience and ability you can offer and mail with a copy of your current CV to HHB Communications Ltd., 73-75 Scrubs Lane, London NW10 6QU or ring 081-960 2144 ext. 300.

PQE

SWINDON c£25,000

Management Accountant

Market leading manufacturer seeks a qualified ACMA/ACCA/ACA to assist its Financial Director with the accounts management of an expanding business. Supervising 5, you will have responsibility for statutory accounts, product profitability exercises, control of overheads and receivables management in a young, dynamic environmnet. Excellent prospects. Ref: 28255A2

Contact The Manager at 28 Northbrook Street, Newbury 0635 529066
Or the PQE Specialist advising on this appointment on 071-489 9997

SURREY c£25,000+car

Financial Accountant

Instantly recognisable pharmaceutical giant offers technically orientated, man-management opportunity to Accountant wishing to assume full responsibility for entire accounting function of subsidary.. Systems implementation an important element of this position. An ideal opportunity for an ambitious Accountant to forge a career within a large, successful company. Ref: 72767

Contact The Manager at 154 High Street, Sutton 081-643 9422
Or the PQE Specialist advising on this appointment on 071-489 9997

MIDDX. c£24,000+car

Financial Accountant

Reporting to the Financial Director, this high-profile career role will provide broad experience to a young qualified with a creative approach. Based at its manufacturing site, the position gives excellent exposure to all aspects of an expanding subsidiary and responsibility for financial accounts, consolidations and costing. Ref: 14155A4

Contact The Manager at 22 The Centre, Feltham 081-844 0431
Or the PQE Specialist advising on this appointment on 071-489 9997..

SURREY c£28,000+mort sub

Deputy Controller

Major financial services group seeks technically sound Accountant who can also contribute to the strategic development of the company. Ambitious and influential, the right candidate will oversee the restructuring of the Accounts Department and systems development in order to deal effectively with anticipated company growth. Excellent prospects and benefits. Ref: 67274

Contact The Manager at 21 George Street, Richmond 081-940 4483
Or the PQE Specialist advising on this appointment on 071-489 9997

MIDDX. c£24,000+car

Recently Qualified

Major player in the computer manufacturing industry, with intelligent and amibitious plans for expansion, offers an excellent opportunity to a young Financial Accountant seeking commercial experience and a defined career path. Supervising a small team, your primary concerns will be ledger control and taxation, utilising sophisticated systems. Ref: 3256B1

Contact The Manager at 42 Station Road, Hayes, 081-569 2919
Or the PQE Specialist advising on this appointment on 071-489 9997

KENT c£30,000+car

Group Finance Manager

Reporting to the Finance Director of this progressive manufacturing plc, with total responsibility for co-ordinating the collection of accurate financial information and developing procedures for all divisions and companies within the group. Career progression to general management or board level is a real possibility. Executive company benefits offered. Ref: 61695

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(Solicitors' Practice)

W. Sussex **Package Negotiable to £40,000**

With a commercial background and perhaps specific experience of running a legal practice, avoiding the City/West End commute is appealing to you as a 40-50 "year young" qualified accountant.

Sinecure seekers beware! With 4 branches, 100 staff and ambitious plans for the future, the firm was formed recently from the re-merger of two complementary practices.

Candidates will know about the "shirt sleeves" approach to strategic issues which face the practice, be confident of their ability to address them and solve problems with the minimum of fuss. As a first step it will be necessary to integrate two different accounting systems and thereafter assist in creating from two halves a single firm in all aspects. In due course the candidate will become an integral part of the team dedicated to developing the business. Recent tax experience will be a particular requirement.

Please send a comprehensive curriculum vitae and details of current remuneration to Peter Willingham quoting reference number 0129 *and the name of the practice!* Your details will not be divulged to any third party without prior express permission.

Kidsons Impey Search & Selection Ltd, 29 Pall Mall London SW1Y 5LP Tel: 071-321 0336 Fax: 071-976 1116

KIDSONS·IMPEY

FINANCIAL CONTROLLER
Midlands based
£32,000 to £38,000 plus benefits

The UK subsidiary of an international chemical manufacturing and distribution group, is seeking a highly motivated professional to fill this key role.

Reporting to the Managing Director, you will join a forward thinking and ambitious executive team with their sights firmly set on group expansion.

In addition to your involvement in the formulation and implementation of company policy, you will also advise the Board on financial, legal, administrative and company secretarial matters.

This senior role demands an accountant with sound commercial experience, which is more important than formal qualifications. Self motivation, enthusiasm and a singular determination to succeed are important characteristics.

The benefits package fully reflects the importance of this exceptional opportunity, which includes relocation assistance if required. To apply, please write with a full CV to:

David Binney
Kay Consultancy Group Limited
Kennet House, 80-82 Kings Road
Reading RG1 3BJ

KAY CONSULTANCY GROUP

AIR 2000

MANAGEMENT ACCOUNTANT

WEST SUSSEX **£23,000 P.A. PLUS BENEFITS**

Air 2000 Limited, a subsidiary of Owners Abroad Group plc, commenced operations as a charter airline in Spring 1987. Over the past three years the company has expanded to a fleet of nine Boeing 757 aircraft which fly from three bases within the UK and has gained a notable reputation for quality.

This expansion has led to the restructuring of the Finance Department and the creation of the new role of Management Accountant, who will report to the Financial Controller and work within an Accounts team.

The successful candidate will be a newly qualified accountant, possessing the skills of commercial acumen, computer literacy and excellent communication.

This challenging career position offers an attractive salary with other benefits only associated with a successful and progressive airline.

Please apply in writing, enclosing full curriculum vitae, to:

Ms Vari Sinclair
Financial Controller
Air 2000 Limited
Oakdale, Broadfield Park
Brighton Road, Crawley
West Sussex RH11 9RT

CORPORATE FINANCIAL EXECUTIVES

Age: 28-35.
£Neg. + car.

At Mercury Communications, we operate the only fully digital public telecommunications network in the UK. This allows us to provide *many customer benefits. As a result our* business and customer base, already firmly established in the market, is set to continue its impressive rate of growth.

To ensure we keep pace with this growth we are currently strengthening the small team of Corporate Financial Executives who advise our Finance Director. Therefore we are currently seeking financial expertise in the *following areas:*

INVESTMENT APPRAISAL

As an Investment Appraisal Executive you will be part of a team with responsibility for appraising our substantial annual investment programme.

We'll be looking for at least three years' experience of the following: appraising investments; presenting investment recommendations to board level; specifying and implementing both mainframe and pc models for investment appraisal and post investment review.

PRODUCT LINE APPRAISAL

As a Product Line Appraisal Executive you will be part of a team with responsibility for reviewing *the profitability of our product lines.*

We'll be looking for at least three years' experience of the following: reviewing the profitability of product lines with common investment facilities; presenting business recommendations for the promotion or cancellation of product lines to board level; specifying and implementing both mainframe and pc product line profitability models.

COMMERCIAL & REGULATORY APPRAISAL

As a Commercial & Regulatory Executive you will be part of a team with responsibility for financial evaluation of business alternatives *for contract negotiations with the following:* UK and foreign Telecommunications Operators; the UK Telecommunications Regulatory Body.

We'll be looking for at least three years' experience of the following: financial evaluation of business alternatives for *contract negotiation, preferably within a* regulated industry; presenting recommendations on business alternatives to board level; specifying and implementing financial evaluation models.

Based at our new offices in Central London these positions require people with a flexible, enquiring, and creative but practical mind; the will to succeed; excellent inter-personal and communication skills. We are looking for graduates, aged 28 to 35, with either an MBA *and/or a recognised accountancy* qualification. Your career to-date should have been with one of the following: a 'blue-chip' company, large consultancy or a 'big eight' accountancy firm.

In return, we are offering a remuneration package negotiable dependent on experience, a *company car,* 25 *days' holiday, pension* scheme, BUPA and normal large company benefits. In addition, for the right candidate, our growth plans over the next five years offer excellent opportunities for career development.

Please send your career details, clearly stating the position you are interested in, to Geoff Harman, Personnel Manager Corporate Services at: New Mercury House, Red Lion Square, London WC1 4HQ. Tel: 071-528 2153. Fax: 071-528 2137.

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HEAD OF INVESTMENT ACCOUNTING

Confederation Life, one of the Great Canadian Life Companies has increased it's funds under management over the past few years to over two billion pounds.

We are one of the most distinguished and fastest growing financial services groups in the UK and part of an international investment and diverse financial operation.

The new exciting, senior post to head up our Investment Accounting and Administration function will be based at our prestigious Head Office in Stevenage, but will have a regular and close operational relationship with our significant, city based Investment team.

Applicants, who must be qualified Accountants with at least two years experience within a Financial Services Company, should be able to *demonstrate* sound managerial and communication skills and be ambitious for advancement to a very senior position.

We are able to offer a salary, negotiable *around £35,000 plus a very attractive* package of benefits, including a Company car, petrol, mortgage benefits, non-contributory pension and, in appropriate circumstances, generous relocation assistance to the attractive countryside of Hertfordshire.

Please send your CV or telephone for more details to Mandy McMahon, Personnel Manager, Confederation Life, Stevenage, Herts, SG1 2NN. Telephone:- 0438 744804

Salary: c £35,000 + Mortgage Benefit + Executive Car + Relocation

Location: Hertfordshire

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INSURANCE COMPANY

A&K
Abercrombie & Kent Travel

Financial Controller

London **£35,000 + car, travel concessions, etc**

Our client, Abercrombie & Kent Ltd, one of the A&K Group of companies, is an internationally known and exclusive travel company. Business has expanded *rapidly* and *profitably over* recent years, through natural growth, and there are plans to continue to develop their niche markets.

Reporting to the managing director, you will have full responsibility for all accounting, data processing and company secretarial aspects of the business. A key role will also be an involvement with *continued development of the business, and to motivate* and encourage departmental staff.

Applicants will be qualified accountants, probably aged 35 to 40 and with experience of managing an accounts department in a medium-sized, marketing led business, *possibly in the* travel or *leisure business.* You must possess experience of working with computer systems.

A Board appointment could occur after two years.

Please write to Michael Ping at Grant Thornton Management Consultants, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, *enclosing a detailed curriculum vitae, quoting reference* K607 and daytime phone number.

Grant Thornton
MANAGEMENT CONSULTANTS
The UK member firm of Grant Thornton International

UNITED DISTILLERS
The Spirits Company Of Guinness PLC

BUSINESS ANALYST

c£28,000 + Profit Share + Car

London W6

Commercial Role: International Environment

United Distillers, a division of the Guinness Group, is the world leader in the international marketing and distribution of household-name branded spirits.

Corporate headquarters in West London is responsible for monitoring, controlling and directing commercial strategy: the finance function plays a key role in this process.

Reporting to the Financial Controller, a Business Analyst is required to promote the growth process within the Asia Pacific region. Working as part of a high profile team, responsibilities will embrace the provision and analysis of management and business review information, *input to the budget, forecasting* and *strategic* planning processes within the region and the review and development of the management information systems. Excellent career prospects exist within the company, along with the opportunity for some overseas travel.

Candidates will ideally be aged under 30, qualified Accountants with circa 2 years' PQE, with preferred experience gained *within a large FMCG organisation. Personal attributes* will include self-confidence, motivation and commitment to achieving results of the highest quality.

Please apply directly to Ingrid Flannery at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London, WC2R OBR. Telephone 071-836 3545, or evenings on 081-995 2960. Alternatively, fax your details on 071-836 4942.

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ACCOUNTANCY OPPORTUNITIES WITH WIDE-RANGING INVOLVEMENT

On our flotation on the Stock Exchange in 1989, *Thames Water plc became one of the UK's largest* companies. We aim to be a £1 billion turnover, world-wide company by 1992. This new outlook and new growth will mean plenty of career opportunities for new employees.

Thames Water Utilities' main job is providing *wholesome drinking water and disposing of sewage* for millions of people in the Thames Valley. We currently have the following opportunities for motivated professionals to join our Finance Department.

Business Controller - Corporate Reporting **c.£30,000 + car + BUPA + PRP**

With a direct reporting line to the Financial Controller, you will have the flexibility to handle a range of responsibilities in this key role. Managing a small team, you will provide consolidated financial information to Group, Utility Board and senior management, as well as preparing and analysing financial data for the Regulator and other external bodies. Continued development of corporate reporting systems will form a major part of your *activities and you will make a significant input to* business planning needs.

You should have at least five years' post-qualification experience in a broad spectrum of *financial activities. Self-motivation and your* credibility at senior level, both within finance and other functions, will equip you for success.

Ref. FN41/MG1-A9

Senior Accountant **c.£21,500-£23,500**

You will join a small team responsible to a business controller for the preparation and delivery of a wide *range of financial information. This will include* developing cash flow forecasting and reporting systems, identifying ways of improving the section's output in terms of quality and quantity and advising on improved use of resources. You will also provide financial information for the Regulator and other *external bodies.*

Candidates will be qualified accountants with sound technical and communication skills.

Ref. FN71A/5730

Both positions will require a knowledge of computer-based financial systems and sound interpersonal skills.

In addition to the salary ranges quoted above (these anticipate a pay award due from 1st July 1990). Benefits include contributory pension scheme, staff restaurant, generous holidays and a lively sports and social scene.

For an application form (and job description for Business Controller) please call Sarah Lock during office hours on 0734 567497, quoting appropriate reference. Closing date: 9/7/90.

Thames Water

RUNNING WATER FOR YOU

FINANCIAL CONTROLLER

(FINANCIAL DIRECTOR DESIGNATE)

NORTH WEST £30,000 + CAR

Our client is a successful and profitable group of companies primarily involved in computer distribution with interests throughout Europe, the USA, and the USSR. They have grown from a start up in 1987 to a current turnover of £25 million which is set to double in the coming year. They are currently ranked *as one of the largest suppliers of IBM computer technology* in the UK, and are continuing to increase their market share. The company is *lead by a young entrepreneurial* management team.

As a result of this expansion they wish to appoint an equally young and ambitious Financial controller (Financial Director Designate) who will whilst reporting to the board enable them to further expand the business.

The successful candidate will be responsible for the day to day control of a busy accounts department covering all aspects of the companies activities, getting involved at a detailed level when necessary. Responsibilities include:-

- Preparation and interpretation of monthly management accounts.
- Statutory consolidated year end accounts.
- *Control of cashflow and the treasury* function in a multi currency environment.
- Budgeting and forecasting.

Ideally you will be aged 25 to 30 years, fully qualified, and have the necessary man management experience. As well as being a key member of the senior management team you will be quickly able to establish yourself as a very commercial manager within the business, able to realise the prospect of a board appointment in the medium term.

Along with an excellent salary package and car there is the potential for share options in the future.

Interested candidates should write to David Loots enclosing full CV *details or telephone him on 061-876 0866 or (0457-868939 evenings).*

David Loots Associates Limited, Charlton House, Chester Road, Old Trafford, Manchester M16 0GW.

DAVID LOOTS
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Accountancy Recruitment
Consultants

ACCOUNTANT
c.£20k.

Senior Qualified Financial Accountant *required* **to join management team of exciting new venture in flexible packaging.**

Write Box A840, Financial Times, One Southwark Bridge, London SE1 9HL

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Touche Ross

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This is a superb opportunity to lead and direct the European business of a well-established and privately-owned U.S. Corporation.

The role will incorporate the strategic and operational planning of four European plants, sales and marketing teams, and distributors with a total turnover of $25m U.S., and 180 staff. You will be expected to maximise the development and profitability of the business, develop a cohesive and committed European team and take a key role in new business development.

Whilst the organisation is comparatively small, it is a market leader in the production of high quality glass spheres which are used in highway safety marking, metal treatment, and plastics reinforcement. It is an intensely innovative and extremely well-respected company.

Ideally you will be 40-50 with a good technically-orientated degree, combined with a business qualification.

You must however have at least five years experience of total profit responsibility for a business unit within Europe. This will have been in a multinational environment, and you must be able to demonstrate clear evidence of profitable growth.

A strong leader, you will have well-developed marketing and financial skills and believe in a team approach to business. You must also have business fluency in French, German and English.

Please send a comprehensive résumé in English, including salary history and day-time telephone number quoting Ref: 3140, to Bruce McKay, Executive Selection Division.

MANAGEMENT CONSULTANTS 5th Floor, 52/54 High Holborn, London WC1V 6RL. Telephone: 071-353 7361.

McKinsey & Company, the foremost international strategy consulting firm, seeks a Head of Information Services for its London office.

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Head of Information Services

You will have a record of achievement in management, leading and developing staff and deploying costs and resources effectively. Experience of information, research or library services and familiarity with the latest database systems would be highly desirable.

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If you are interested in becoming Head of Information Services with McKinsey please send your curriculum vitae to Don Leslie, recruiting adviser to the Firm, at Beament Leslie Thomas, 107-111 Fleet Street, London EC4A 2AB, or telephone him on 071-353 5606 (day) or 071 354 5229 (evenings and weekends).

McKinsey & Company

McKinsey & Company, Inc.
74 St. James's Street, London SW1A 1PS

In seven years March Consulting Group has established itself as a leading multi-disciplined management consultancy, serving a wide range of UK and international companies. Our Executive Recruitment Division has offices and associates throughout Europe and is dedicated to providing the highest standard of service and professionalism.

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Principal Consultant

c.£50,000 + car
Profit Share

Our requirement is for an experienced Search consultant to develop and service UK clients at senior to top management level. The position will be based at our Windsor offices where our central research facilities are, frankly, second to none.

Aged around forty, candidates should have a good degree and must have a record of success in line management followed by several years experience with a search consultancy of high standing. Vitality, imagination and a thorough understanding of management problems are essential qualities in achieving credibility with clients and potential candidates.

Salary is negotiable as indicated and the benefits include profit share, car, BUPA and an executive pension scheme.

Please send full career details to: Andrew R. Duncan, March Consulting Group, March House, 13 Park Street, Windsor, SL4 1LU.

MARCH
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NATIONAL AND LOCAL GOVERNMENT OFFICERS ASSOCIATION **nalgo**

APPOINTMENT OF DEPUTY GENERAL SECRETARY

Applications are invivted for the appointment of Deputy General Secretary of NALGO to succeed Alan Jinkinson, following his election as General Secretary.

The salary is £40,761 rising by annual increments to £44,052 per annum (including London weighting allowance).

The appointment is terminable by not less than three months notice in writing on either side and is superannuable under the NALGO Staff Superannuation Fund rules.

The suitability of applicants will be considered regardless of race, marital status, gender, sexuality, disablement or age (up to 65). NALGO has a job sharing scheme which may be applicable to this post.

Full details and application form available upon request from the Personnel Officer, NALGO, 1 Mabledon Place, London WC1H 9AJ. Tel: 071 388 2366 Ext 331. Completed application forms must be received by the Personnel Officer no later than 5 July 1990.

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Central London + overseas travel
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AN EXCELLENT opportunity has arisen within this British plc, the leader in its specialist field, for a professional Operations Executive.

Reporting to the Chief Executive, you will help subsidiary company managements in Europe and the USA implement modern and effective manufacturing, production control, and quality systems. A strong bias will be placed on inventory reduction and value engineering.

Probably in your early 40s and educated to degree or equivalent level in an engineering or science discipline, you must have a proven track record of at least 5 years' line management experience, preferably in lower-ticket capital goods. Management consultancy experience covering materials management, logistics, inventory control, batch production and cost-control techniques using appropriate computer systems would be an advantage. Fluency in French and German is essential and you must be prepared to travel frequently and work on overseas assignments of up to 1 month.

Benefits include pension scheme, BUPA, and share options, together with an executive car and imminent prospects for career progression to main Board status.

Please send a full cv which will be forwarded to our client unopened. Address to our Security Manager if listing companies to which it should not be sent. **Ref: H7009/FT, PA Consulting Group,** Advertising and Communications, Hyde Park House, 60a Knightsbridge, London SW1X 7LE.

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HUMAN RESOURCES
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Head of UK Research

City *£40k basic +*

Following expansion, our client, a major long established stockbroking subsidiary of a substantial British Financial Institution, requires a Head of UK Research. The company, with 200 employees, is primarily private client orientated, with a smaller institutional division supported by a compact research team.

Ideally aged under 40, you will have at least five years generalist UK research experience with one of the larger stockbrokers, securities houses or insurance companies. Other prerequisites include excellent oral and written communication skills, presence and the capacity to conceive and sell your investment recommendations effectively. Lastly, a degree level education and/or membership of the Society of Analysts would be a distinct advantage.

Benefits, in addition to a substantial basic salary, are commensurate with a position of this importance and seniority.

Candidates, male or female, should send a comprehensive CV to:– Anne Matthews, Cavendish Search & Selection Ltd, 48 Millbank, London SW1P 4RL.

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FINANCIAL TIMES SURVEY

INTERNATIONAL COURIER & EXPRESS SERVICES

Friday June 22 1990

Companies are fighting for places in a courier and express market that is expanding rapidly. This is expected to lead to a rationalisation in the 1990s which will concentrate business among a few global players. But will the mergers pay, asks **Paul Abrahams**?

Players jostle for positions

FEVERISH acquisition activity has overtaken the courier and express services industry. Distribution companies are jostling worldwide to position themselves in this rapidly expanding sector.

They are looking to capture a share of a market that is growing at between 35 to 40 per cent a year in spite of an expected slowdown in document business caused by the development of computer networks and facsimile machines.

However, observers expect the industry to experience a *fundamental rationalisation in* the 1990s, with the largest proportion of the business being concentrated in the hands of a few large, global companies, providing integrated one-stop services.

That rationalisation is partly customer-driven. The trend towards flexible manufacturing systems, whose object is to keep the amount of capital tied up in stocks, is making new demands on distribution companies.

Manufacturers in Europe are increasingly requiring reliable and regular deliveries of parts from centralised warehouses in order to keep their inventory levels down. This process reduces overheads, but increases distribution costs, providing substantial opportunities for logistics companies which can offer one-stop pan-European services.

The need to provide these pan-European services is accelerating the trend towards consolidation in the sector. The cost of setting up such services in western Europe is beyond the *means of most companies*, let alone the investment required to create hubs in eastern Europe.

These costs will create a barrier *to entry to companies* without large resources. The only alternative for purely domestic players is to find a niche role.

A further force driving the industry towards rationalisation is the increasing cost of technology.

Tracking and tracing systems and electronic data interchange are becoming increasingly important for express companies trying to provide reliable services at speed and in a cost-effective manner. But the amount of investment required for that technology is great and certainly beyond the reach of all but the largest concerns.

A significant problem faced even by the large companies in this sector is that although operational costs are growing, margins are tightening, as in the medium term the number of players increases and competition becomes *more intense*.

Competition between the big four carriers – DHL, Federal Express, TNT and United Parcel Service (UPS) – is fierce. In *the short term, these four are* the only companies which have the financial and technical weight to operate on a worldwide basis.

The companies are expanding their presence in Europe. UPS, the largest of the big four with a turnover of $11bn in 1988, until recently had little presence outside the US, but is now heavily marketing its services in the UK and on the continent.

The company has acquired IML, the international courier organisation, and a Spanish operation. It has plans to acquire a UK land-based parcels operator and a continental company in the near future.

For its part, TNT has recently acquired a specialist express parcel company from KLM, the Dutch national airline.

As if existing competition was not fierce enough, in the *medium term* the express services companies could face a number of powerful new entrants in the form of airlines and postal administrations.

Some of the airlines hope to attack the market on their own. Swissair is setting up a service offering nationwide delivery of packages up to *100kg to 54 countries. And* British Airways already has a door-to-door service called Speedbird Express. However, such services have had difficulties competing because of the costs associated with developing the necessary ground infrastructure.

A significant problem for even the large companies is that margins are tightening

However, a consortium led by Japan Airlines, Lufthansa, the West German airline and Nissho Iwai, the Japanese trading house, has taken another route.

This spring, the three companies announced they were planning to take a majority stake worth about $500m in DHL, *the privately-owned* express company which is the smallest of the big four, with a turnover of more than $1.6bn in 1989.

If the proposed deal goes through, it could herald the start of a series of links between airlines and express companies.

Five years ago, the European distribution industry had a number of clearly defined sectors. However, the difference between mail, express services and freight is becoming increasingly blurred.

Postal administrations are offering express services; express services companies are looking at the prospects which may emerge from a possible break-up of the European postal monopolies as well as the potential for moving into the the air cargo business presently offered by airlines and freight forwarders; and airlines are moving into the express services sector.

The attraction of the express business for the airlines is considerable.

According to the International Air Transport Association (IATA), world airline profits dipped by 23.5 per cent last year because of increased *costs. Lufthansa, which is the* world's largest cargo airline, estimates that it does not operate a single intercontinental flight that would be profitable *without freight. The high mar*gin, low weight express service business would amortise the heavy fixed cost of operating the aircraft.

The DHL deal is seen by industry observers as a response to Federal Express' $880m purchase of Tiger International and its subsidiary, *Flying Tigers, the Pacific-based* air carrier which was until then the largest cargo airline. Observers believe the move was motivated by a desire to acquire access to overcrowded Japanese airports through Flying Tigers' take-off and landing slots.

The industry is awash with rumours about further links between express service companies and airlines.

Air France plans to have 20 dedicated Boeing 747 cargo aircraft by the end the decade, and may well be looking for a partner. Earlier this year, British Airways had to deny it was in talks with Federal Express.

Competition is increasing from another direction – the postal administrations. Two *years ago, most of the Euro*pean administrations, together with the post offices in the US, Canada, Japan and Australia linked together to form Uni*post, whose object is to co-ordi*nate the express and time-sensitive activities of the member administrations. Their services are being branded under the *name of EMS (Express Mail* Services).

In the meantime, it is far from clear that all this merger and acquisition activity will *actually* prove profitable.

Federal Express has reported falling profits for the last five consecutive quarters after its acquisition of Flying Tigers. The company subsequently increased its prices between 2 and 10 per cent in April. UPS also recently announced price increases in the US.

"A lot of people are buying market share," explains Mr Roger Blacklock, air division manager at the British International Freight Association.

"But it remains to be seen if the companies involved can make their new acquisitions pay. Very few companies are actually making any money in Europe at the moment."

IN THIS SURVEY

Editorial Production; Phillip Halliday

EASTERN EUROPE

Across the final frontier

EASTERN Europe is the last emerging territory for international courier companies. It inspires the regional managers to think of themselves as pioneers and this imagery comes out in brochures and in-house magazines. TNT relishes "the challenges of the new frontiers" while the DHL east European head office calls its magazine *New Frontiers*.

The irony is that managers come out to eastern Europe with such horrific visions of the area's commercial adversity *that they can only be* pleasantly surprised.

Mr Mark Forsyth, financial controller of DHL's east European office, and Mr Geoff *Booth, general manager of* TNT's Hungarian operation, have worked before in the developing world. So when they judge eastern Europe they compare it with their former postings. Hungary, where both are based, compares favourably.

Mr Booth, a veteran of Thailand, came to Hungary with few expectations and so has had few disappointments. "You don't just come into a place like this and expect a Holiday Inn on either side of the street," he says, unconscious of the view out of his office on to two Budapest hotels which surpass most Holiday Inns.

DHL was the first of the pioneers and has built up a strong position since its early start in eastern Europe. It covered the region with agencies by 1986. Two years later it established DHL Hungary, a joint venture, one of the first, with Hungocamion under DHL management control. Later that year the *company moved its eastern* European head office to Budapest and in 1989 the city became its regional hub, with nightly charter flights to Brussels.

After substantial advertising in Hungary, the most developed east European market, DHL has the highest profile of *the international courier com*panies and its name is often synonymous with the industry. It certainly was when the Hungarian Trade Minister urged Hungarian companies *who* wished to break into overseas markets to "DHL documents" rather than post them.

Mr Forsyth claims an 80 per cent share of the Hungarian courier services market and a 20-30 per cent net profit on revenue after international shared costs are deducted.

The company is not so well established in the rest of eastern Europe but its Yugoslavian operation is self-financing and Mr Forsyth predicts the Polish one will be in a couple of months. Even the Soviet Union, where perhaps the greatest logistical difficulties are faced, will move into profit *in two* or three years.

The company predicts rapid growth in its east European air express shipments. In-bound traffic should grow this year *by 23 per cent* while *outbound* is expected to grow by 66 per cent.

DHL's two main rivals in Hungary are TNT and UPS. *TNT has established a joint* venture with Malev, the Hungarian state airline. The TNT-Malev leased BAe146 makes nightly flights between Buda*pest and Cologne, and services* Yugoslavia through the Hungarian capital.

Although the plane carries cargo in addition to courier packages it still operates at 30-40 per cent capacity. During the day the plane is hired out for charter flights to help meet running and finance costs.

TNT is not making money yet out of its Hungarian operations but Mr Booth is confident that the first profits will show in a few months .

He admits that DHL, because it arrived earlier, is a larger and formidable competition but he disputes DHL's estimate of its market share, claiming that the market is far too young to analyse so precisely.

It is true that the market is insufficiently exploited for competition to be a constraint on expansion. In spite of the dominance of DHL in Hungary, Mr Booth says that TNT's business has doubled in the last five months and he expects it to double again in the next.

At present, demand is insen*sitive to price*. But Mr Forsyth predicts that will change in six to 12 months. As the Hungarian market becomes more saturated companies need not feel *hemmed in. For there* will be emptier territories further east to colonise.

Nicholas Denton, *Budapest*

PROFILE: DHL

A business for the people

THE DEAL signed last month between DHL International, a division of the world's largest international express delivery concern, Lufthansa of West Germany, Japan Air Lines and Nissho Iwai – a Japanese trading house, will give the courier company greater flexibility in the growing market for door-to-door air delivery.

Mr Peter Davies, general manager of DHL International (UK), believes the deal will complement existing services, and *offer more aircraft space* and facilities for parcels, a sector where the company wants to expand.

A few yards away from Mr *Davies* office at Heathrow a sorting system clatters around a warehouse the size of a soccer pitch. There documents, the bulk of DHL's business, are sorted into sacks marked by airport code.

Mr Davies would like to see parcels of up to 50kg each passing through the warehouse in London or DHL's European hub in Brussels, where the sorting system is spread over three floors.

"There's a need to develop into heavier weight services. We've been operating in the parcel sector for some years but we need to expand it," says Mr Davies.

DHL commands only 3 per cent of the express market in dutiable items – everything which is not a document. Its performance in document distribution is, by comparison, well developed: serving 184 countries, employing 20,000 people worldwide and 100 aircraft. It claims that more than half a million customers last year lifted turnover to $1.6bn.

The company is introducing new technology on its so-called "profitability routes" in Europe, North America and Asia Pacific such as the Easy Ship on-line computer *system*, which gives customers tracking and tracing capabilities.

However, it is looking at *opportunities* in untried countries. DHL's target list for the 1990s includes Albania and expansion of existing services in Soviet Mongolia, where the company opened *an office* last year. There are offices in the capitals of eastern Europe and a sorting hub in Budapest.

Mr Davies expects the formation of the single European market in 1992 to increase his business. He is looking to exploit new demand from UK *companies* which will be developing products away from the domestic market to sell in European Community states.

He eschews, however, the idea of "one-stop shopping" favoured by rival TNT, which plans to offer customers a complete distribution package. DHL thinks the proposal will be taken over by freight forwarding companies using "a one-stop gimmick" as a guise for contract distribution.

DHL offers a Worldmail service to compete with the remail operations of companies such as TNT. Worldmail, which was launched in 1986, is being revamped.

Like Federal Express which plans to concentrate on its core heavyweight distribution service in the early 1990s, DHL will be concentrating on the documents market. The "big four" – DHL, TNT, Federal Express and UPS – will come *into greater competition*, when Brussels-based DHL increases its share of the general express market, says Mr Davies.

He warns companies which might try to squeeze DHL out *of new markets*: "Price dumping does not do anything for the market or profits. If our competitors try it, it could take a toll on customers."

On the ground in London, meanwhile, DHL has introduced an innovative sorting bus in London, to ease delays to distribution caused by traf*fic congestion. DHL's UK* executives claim London has the worst congestion in the world.

The converted Mercedes bus is equipped with on-board computers which scan and sort documents during the journey from Heathrow to central London. "The bus has replaced vans which were often caught in traffic and improved services," said Mr Beesley, who said the idea may be taken up in other financial centres such as New York and Tokyo.

DHL likes to think projects such as bus distribution in London improves its image as a world player in the distribution market with strong local services. Mr Davies said: "We may be stronger in London than outlying areas. But in Mongolia, for example, their may be strong local demand and we must make sure our customers there view us a good local operator.

"*This is a people business* and we must make sure we are customer driven."

Tim Burt

Anne Hunter looks at Europe and the express race to 1992

The scramble for a foothold

DURING the past few months there has been an acceleration in the pace of the European express race with important players scrambling for a foothold in the newly accessible Eastern Bloc and fighting to secure prime positions in the deregulated single European market from 1992.

The removal of Europe's fiscal, physical and technical barriers is expected to bring large increases in trade which will fuel a strong volume growth in transportation particularly in the express sector which correlates closely with increases in economic activity.

Over the past few years, changes in European manufacturing, production and distribution systems, have emerged. An increasing adherence to just-in-time techniques has led to inventory shrinking, fewer warehouses and distribution centres.

A clear shift continues to occur between planning and order-based logistics from "make to stock" to "make to order" which gives rise to smaller shipments, shorter customer order cycles and shorter transport lead times. This in turn demands a greater number of fast, direct deliveries door-to-door from supplier to end user.

A growing number of companies are calling for single-stop shopping because they recognise that integration of the transportation chain will be the organisational trend of the future. These companies are seeking single transportation partners capable of taking responsibility for the total journey and liability for the entire transportation chain.

Among them is Xerox which spends $90m a year on air freight and air express services. Xerox is reducing worldwide inventories by 30 per cent, decreasing vendor bases and consolidating European distribution centres from seven to two. These changes demand, ideally, a single partner who can provide global speed and reliability.

In their search for the ideal transport partner, a number of European shippers have turned from traditional transport to express services.

To achieve door-to-door reliability, they have paid the premiums charged for fast transfers – often faster than they actually need, although frequent exposure to speedy service has meant that a growing number of companies expect deliveries overnight to arrive first thing the next morning as a standard service.

With the exception of TNT, the Australian-based company which is the European express market leader with its combined air and road system for shipments of any weight, the US air express parcel companies have led the field in express integrated operations in Europe.

Unlike TNT, their systems are geared to small shipments up to a maximum of 30kg.

In spite of this restriction, they have converted considerable business away from European traditional air and surface transportation primarily because of their guaranteed reliability and their undertaking to control the transfer door-to-door for one single, inclusive rate and one, single invoice.

In their search for the ideal transport partner, a number of European shippers have turned from traditional transport to express services

While reliability remains of paramount importance, the increasing emphasis in Europe is on the ability of a transport partner to provide a reasonably fast, reliable, pan-European and global, door-to-door service. It is only through working with a transport partner with such a network, that the shipper can achieve its aim of single-stop shopping.

However, there are few, if any, companies in or outside Europe capable of meeting this requirement. In Europe, only TNT is close to attaining pan-European status with cross border operations between third countries.

As the express operators have now realised, the final, profitable express winners in Europe will be those with pan-European combined air and surface networks.

An air network linking European trade centres with a central hub, such as Fedex and DHL in Brussels and UPS in Cologne, requires an extremely high volume of shipments on a daily basis at very high yields to cover the high costs of the system.

However, there is an extremely high entry barrier to the development of a European road transportation network where the large investment required will prevent only the richest companies from expanding in this way.

United Parcel Service (UPS), the US-based company with a $12.3bn turnover in 1989, is a very wealthy, profitable company.

Although it was the latest of the US air express companies to launch European services, the company's progress in Europe has been rapid with the development of a constantly expanding air network around a central hub in Cologne with connecting services to the US.

Last month, UPS announced plans to establish a European ground operation. To achieve a UK domestic network with links into and throughout Europe, UPS has said that it will probably buy a company that is able, through its existing network, to take UPS at least part way towards its pan-European goal.

The unconfirmed but hot, odds-on favourite is the privately-owned UK company Seabourne Express which has an established European road express network.

Meanwhile, the air express companies face revived competition from the traditional European transportation industry which has woken up to the fact that it already holds the key to pan-European express operations.

However, the door is only likely to open for joint ventures between parties such as an airline and an express company or an airline and a system operating forwarder.

One such relationship was formed last month when DHL sold minority stakes to Nissho Iwai (a Japanese trading company), Lufthansa and Japan Airlines.

The new alliance will enable DHL to slot into the extensive European and intercontinental systems of Lufthansa and JAL while the airlines gain access to DHL's ground, collection and delivery network in 184 countries which will enable them to market their own express door-to-door services.

In Europe, where traditional air cargo services are in direct competition with high performance LTL (less than trailer load) road services and with other surface express operators, the road operators stand to gain an even greater competitive advantage from the removal of barriers in 1992.

A number of deregulatory measures liberalising both road and air freight movements have been introduced and more will follow. The air courier and air express companies continue to make headway in their battles with postal and customs authorities although an abundance of anachronistic red tape continues to undermine air express innovations and to complicate transfers.

There are only a handful of forwarders operating LTL Europe-wide services including Schenker, Kuehne & Nagel, Panalpina and Danzas. Others with a former national and regional bias, are moving quickly to develop their cross border services and several, including Davies Turner and Danzas, have launched time-controlled European express transportation services.

Returning to the changes in manufacturing techniques and the resulting decrease in shipment sizes, it is this LTL and road express sector of the express transportation industry that is likely to see the highest growth in Europe over the next few years.

Philips, the large Dutch company, is in the throes of shifting all its existing air cargo and air express flows within Europe to fast LTL services and to road express services.

The large European forwarders have the extensive European ground networks in place and further expansion which will be made easier by the removal of barriers, will be affordable.

Joint ventures between such companies and scheduled airlines are likely to increase and they will represent a serious threat to the air express companies.

With their pan European and global capacity for shipments of all sizes, these alliances would have immediate call on a large existing multinational customer base which has so far eluded some of the large US air express companies which still rely largely on their domestic US market for their international business.

TNT plans to expand into markets 'that it can serve well'

PROFILE: TNT

Joint ventures point way to fresh markets

TNT, the Australian transport multinational, last year learned the full cost of dependence on a workforce that owes the group no direct allegiance: aircraft pilots.

Strike action by Australian pilots during 1989 grounded thousands of delivery flights and contributed to a 41 per cent fall in half-year profits.

The group's first quarter net profit slumped from £26.9m to £7.97m in the three months to September last year during the dispute at Ansett Airlines and East West Airlines, the Australian domestic carriers jointly owned by TNT and Rupert Murdoch's News Corporation.

Keen to avoid similar problems in new markets, such as eastern Europe, TNT has signed joint operating agreements with carriers to ensure services.

Its deal with Aeroflot, the Soviet carrier, signalled a new partnership – TNT Aeroflot Express Services, to make door-to-door deliveries in and out of the Soviet Union.

Mr Paul Moorhouse, managing director in Britain of TNT Worldwide believes eastern Europe is an important growth area for the company. TNT has added an operating deal with JAT, the main Yugoslav carrier, to its existing operations with Malev of Hungary.

Remail is one of the other areas where Mr Moorhouse plans expansion. TNT claims to be a market leader and boasts 1,800 people working in that division. TNT Mailfast has invested heavily to establish 55 remail centres in 33 countries. Only war-torn Lebanon is outside its range.

Unlike some of its competitors, TNT is setting its sights on new markets

TNT Mailfast has become the world's fifth largest postal service, and plans to publish a directory of the world's direct marketing agencies. The company claims the directory will provide "one-stop shopping" for manufacturers wanting to market their products in different countries.

The company is challenging the dominance of the Post Office in Britain by employing its own postmen in important business centres and TNT claims it can undercut the Royal Mail by up to 10 per cent and postal services in the US and Australia by about a quarter.

"If there was a relaxation of the Post Office monopoly there is quite a few areas of postal services that we would like to get into," says Mr Moorhouse.

The group is encouraging its European divisions to secure lucrative contracts with certain industries, such as the automotive sector.

Last year, TNT Contract Distribution, a division of TNT (UK), signed contracts with Ford, the UK subsidiary of the US motor manufacturer, and VAG, the Volkswagen transport group.

However, TNT has learned

Paul Moorhouse

the danger of an over-dependence on a few important industries: profits in North America were last year affected by a downturn in the US automotive industry, in which TNT is a main carrier.

Expansion in Europe with projects such as its Overnite Air Express, the purchase of KLM Airlines' XP Parcel Express and a $50m joint venture with Malev, the Hungarian state airline, has increased total assets by about $554m.

The development of a European road freight business has focused TNT attention on 1992 and the European single market, and the group boasts 290 depots in 17 countries.

The group feels strong enough in the UK to challenge the Post Office for a stake in general mail delivery. TNT Express UK has collecting points in hotels, petrol stations and business centres, and the Mail Users Association has said there is a need for competition.

The long-term aim, according to Mr Moorhouse, is to provide a total distribution package covering air and road deliveries: international courier services; and domestic distribution. "What we want to be able to do is to provide everything the customer needs.

"DHL is only a courier company at heart and it does not have a domestic infrastructure to match ours," Mr Moorhouse adds. The Worldwide managing director, who graduated to that post from general manager of Mailfast, wants to create an integrated service for courier and express delivery customers.

Unlike some of its competitors, TNT is setting its sights on new markets. The group plans, for example, to expand its Sameday delivery service out of the UK and into Europe.

Mr Moorhouse estimates that if every one of the TNT's European customers use such a service only once a year it will still be a worthwhile investment: "that's 300,00 movements a year – that's a big business."

Mr Moorhouse concludes that TNT's ambition is "if we feel there is a new market we can serve well, then we will do it. The day you start standing still you only go one way: contract."

Tim Burt

Air France, Cathay Pacific, Lufthansa and JAL have joined forces to provide an independent world cargo information system

Phillip Hastings on the airlines' move into the express market

Carriers renew market push

RECENT NEWS that a consortium including two leading international airlines is taking a substantial financial stake in DHL International, the global express company, highlights the renewed push by air carriers to find a successful niche in the express market.

Hampered by their long standing relationships with freight forwarders who have generated as much as 90 per cent of their cargo traffic, scheduled airlines in particular have found it hard to establish a role in the international air express business.

A number of early attempts by leading airlines to develop their own door-to-door express delivery operations failed to take off successfully, due in large part to a lack of support from forwarders who saw the moves as a threat to their own future business.

Airlines are seeking other ways of securing a role in the international express door-to-door delivery market. For West German airline Lufthansa and Japan Air Lines, that involvement could come through a large shareholding in privately-owned DHL.

Those two carriers, together with Japanese trading company Nissho Iwai, last month signed a deal with DHL, reported to be worth some $500m, which will enable them to build up a 57.5 per cent stake in the express company over the next 18 months. Initially, Lufthansa and JAL are each taking a 5 per cent share and Nissho Iwai, 2.5 per cent.

Such a tie-up should significantly strengthen the express market involvement of Lufthansa and JAL, who recently announced they had joined forces with each other and two other leading carriers, Cathay Pacific and Air France, to provide an independent world cargo information system.

Air freight industry observers believe other international airlines may follow the example of those carriers in taking action to consolidate their place in the world air cargo/air express market.

Prominent among them is Mr Bill Boesch, the vice president cargo for US carrier American Airlines which is making a big effort to step up its freight distribution activities worldwide.

"I expect to see leading combination (passenger/freight) carriers in many countries take decisive action such as the DHL/Lufthansa/JAL deal to protect their business from the express carriers as they move into international markets," he said. "In addition to intensifying internal efforts, they will spread their wings by transforming traditional cargo interline relationships into global technical, marketing and operating alliances for cargo movement all round the world."

Airlines are seeking other ways of securing a role in the express market

Mr Boesch claims that international airlines are strongly placed to compete with integrated transport operators such as DHL, Federal Express and TNT. He maintains that combination airlines, by which he means those which carry passengers on the upper decks and cargo in the bellyholds, are getting into the higher yielding express freight business dominated by the integrators, while the latter are plunging into the low-yield, low-profit, air freight market.

"I predict that in the 1990s, combination carriers will reshape the cargo market. They will change the air cargo business as profoundly in the 1990s as the integrated carriers did in the 1980s," he said.

"Since combination carriers transport passengers and cargo on the same plane, we pay a lot less for our cargo space than the express carriers. Since we use our terminals, hubs and fleets all day, all week, we are more efficient. And because we have frequent flights throughout the day, we can offer a full line of reliable express and air freight products."

The big problem for the scheduled airlines, and one which many observers believe they have yet to solve, is how to make the most of those advantages and use them to compete successfully for express business. For the moment, carriers still appear to have widely differing opinions as to how they can best achieve that goal.

British Airways, for example, operates a door-to-door delivery service called Speedbird Express but is concentrating most of its development efforts in the express market on a wholesale operation called Speedbird Courier.

BA, following substantial recent expansion, offers express industry trade customers Speedbird Courier services out of London's Heathrow and Gatwick airports to nearly 60 destinations. It is looking at the development of Speedbird Courier services out of some UK regional airports such as Birmingham, Manchester and Glasgow.

Looking further afield, BA hopes shortly to finalise arrangements for an expansion of its Speedbird Courier wholesale express service to the US following a recent agreement with US carrier United Airlines on the development of a joint wholesale express product out of the US into the UK. The agreement will enable United to offer nextday delivery in the UK for small parcels and documents originating in every large US city not served by BA.

Scheduled airlines have found it hard to establish a role in the air express business

Following the wholesaler route is UK-based cargo airline Air Bridge Carriers. The company is best known in express industry circles for its operation of aircraft to support forwarding group Air Express International's Pandalink intra-European delivery services. However, Air Bridge last month announced that the two companies had restructured their activities in that market.

Air Bridge has set up a new division, Air Bridge Express, to provide European overnight wholesale capacity for forwarders and other express service operators via a system centred on Brussels. Meanwhile, AEI is looking to further expand its Pandalink door-to-door product, using Air Bridge Express capacity on an airport-to-airport basis.

In contrast, while Air Bridge and BA concentrate on building up their wholesale express activities, French national carrier Air France has opted to pursue a different approach and concentrate on the development of its own door-to-door delivery services.

In that context, the airline is setting up a number of joint venture subsidiary companies. First of the new companies to be set up is Sodexi UK which becomes the UK arm of the airline's established express subsidiary in France, Sodexi SA (Société pour le developpment du fret express international).

Sodexi SA is responsible for providing a specialised door-to-door service called Mach Plus which caters for the international shipment by air of parcels up to 60kg within Europe and 30kg to other destinations such as Asia. The service is available to 34 countries.

Birmingham-based WPS (World Parcel System), is a new UK company jointly owned by Sodexi SA and the Mach Plus transport partner in the UK, which has some 100 depots around the country.

Air France says the intention is to set up similar Sodexi subsidiaries in other European countries, notably the Netherlands, Belgium, West Germany, Italy, Spain and Switzerland.

Last year, adds the carrier, the Mach Plus door-to-door service handled some 18,500 shipments totalling about 270 tonnes of cargo and generated revenue of FFr13m ($2.3m). The carrier wants to increase Mach Plus business by 60 per cent this year.

JAPAN: 7m documents were shipped out of the country in 1989

Growth outstrips airport space

EXPRESS delivery services may not have been invented in Japan. But as with microchips, machine tools and myriad other foreign innovations, developments here are shaking up the business worldwide.

For starters, there is the size of the potential market. Much of the growth in the international door-to-door delivery business is taking place in Asia, with its robust economies and the relatively nascent state of the service on the continent.

Japan's Transport Ministry says sales of such services from Japan increased by 25 per cent to $267m in the year ended March 31, 1989. About 7m documents were shipped out of the country that year, nearly double the figure of 1985. And small package deliveries grew several times faster.

That has sent foreign companies, from United Parcel Service and Federal Express of the US, to TNT of Australia, scrambling to shore up their operations throughout Asia Pacific.

There's no shortage of competition: 29 domestic and foreign couriers operate in Japan alone. DHL International, which introduced courier service to Japan in the 1970s, found another way to strengthen its hand.

On May 29, the dominant, Brussels-based courier company announced it had sold a majority stake to Japan Air-lines, Nissho Iwai, a leading Osaka-based trading house, and Lufthansa Airlines. The deal was for $500m.

"This is a revolution of the carrying companies, and it will have a big impact on Japanese forwarders," says Mr Takuya Mizukami, an economist with the Industrial Bank of Japan. It is also bound to have a big impact on the world market, giving JAL a handle on Europe and Lufthansa an opening to Asia.

DHL, a privately held company with offices in 183 countries, claims about half the Asian market and about a third of the European. But it needs air freight capacity and wants to become a bigger player in the parcel-delivery business, which is led by Federal Express and UPS.

JAL and Lufthansa, which has agreed to link up with Air France and Cathay Pacific in setting up an international cargo information network, need DHL's worldwide distribution services.

Unlike Federal Express, DHL has no rights to fly its more than 100 aircraft in and out of Japan. Thus, it has had to rely on international carriers such as JAL and Lufthansa for shipment, so the link will solidify that relationship.

Analysts say DHL was feeling pressure from Federal Express, which in 1988 purchased Flying Tiger Lines, a leading US air cargo company, to help it with its drive on Asia and Europe.

That deal was all the more significant because the demarcation line between air cargo and door-to-door delivery services is fading.

Federal Express plans to construct a hub facility in Taiwan by the summer of 1992 to improve service to south-east Asia.

UPS is expected to gain rights soon to fly in and out of Japan, as part of an ongoing market-deregulation process that began in earnest in 1988, when Federal Express was allowed to fly here.

DHL, a privately held company with offices in 183 countries, claims about half the Asian market and about a third of the European

Other salient developments in express delivery during the past few years have been strongly influenced by the Asian market.

One concerns the content of the shipments. Now, as before, the greatest portion of the overall business deals with document delivery. But carriers are steadily moving into the delivery of parcels, such as computer tapes, parts and product samples, mainly for manufacturers and trading houses.

There are two reasons. First, as manufacturers move toward the just-in-time ("what you want, when you want it") delivery service pioneered in Japan, air couriers are increasingly being called upon to ferry vital components to overseas plants.

When a Japanese manufacturer receives an order for parts for 200 cars from a US dealer, he can ship the components for the first 50 by express service. Then he has the luxury of sending the parts for the other 150 cars by other means.

The same system has worked well for the lightweight, finished high-technology goods produced in Japan and the newly emerging economies of Asia.

A new trend among big manufacturers, such as Matsushita Electrical Industrial and Toshiba, is the establishment of "in-house forwarders" – subsidiaries to exclusively handle the forwarding of their own parts to overseas plants, says Mr Mizukami.

A further reason for the gradual retreat of the document delivery side of the business has to do with the rapid development of computer networks and facsimile machines, particularly in Japan.

No one really believes these will render document delivery obsolete, especially since the quality of facsimiles is no match for the originals.

Nonetheless, the growth of that end of the business is expected to trail that of parcel delivery.

"There will always be a need to transmit original documents," says Mr Katsushiko Yamazaki, a DHL spokesman in Tokyo.

However, Mr Katsushiko acknowledges that the growth of parcel delivery may outstrip that of document delivery by as much as two-to-one in the coming years.

Federal Express, the number one US carrier with $5.2bn in total sales, has positioned itself for the emerging technology by developing an information transmission operation that can electronically send bulk data.

"We want to turn into a sort of common carrier like KDD (Japan's long-distance phone service)," says Mr Hideaki Arai, senior sales manager for Federal Express Japan.

The past two years have also seen a modest breakthrough in one area of business that had long proved elusive for parcel carriers: individual customers.

Express delivery in Japan, as elsewhere, is still mainly seen as a service for commercial customers. But the increase in tourism and the continuing strength of the purchasing power of the yen are bringing more individuals into the fold.

By tradition, Japanese tourists and business travellers are obliged to return home with armfuls of gifts for co-workers and friends. Now, they can offload extra items, including souvenirs, clothes and golf clubs, into the hands of a delivery company for shipment to their homes.

The Nippon Express Pelican Jet Pack service delivered some 62,700 such packages in the business year to March 1989, a 47.2 per cent increase from the previous year. The number was expected to have jumped about 50 per cent by last March.

Both Yamato Parcel Service and Nippon Express have placed 50 agents in Canada, a popular destination for Japanese skiers. The two companies also use overseas branches of Japanese department stores and hotels as shipping agents.

A noteworthy innovation that is confined to the domestic market is the system by which Japanese can inexpensively send parcels throughout the country by simply taking them into a neighbourhood shop that has a contract with an express delivery service.

So rapidly is the international express delivery business growing that it has run up against the same wall that commercial airlines in Japan are facing: limited airport space.

Neither the continued expansion of Tokyo's Narita airport nor the New Kansai International Airport in Osaka are expected to bring much relief.

"In four to five years," says Mr Mizukami, "airport capacity will be expanded. But the express delivery business is growing at an even faster pace. That means in four to five years, we'll have the same problem."

Mark McQuillan
Tokyo

CUSTOMS

Clearance gains speed

NEW technology and a growing appreciation of the needs of the international courier express industry are encouraging customs authorities around the world to seek new ways of speeding up the clearance of shipments.

On the technology side, for example, customs authorities are studying what information needs to be passed between them and express carriers with the introduction of EDI (electronic data interchange) systems and generally looking at ways of using that technology to simplify and accelerate clearance procedures.

At the same time, customs authorities appear to be moving towards accepting the idea that express traffic should be divided into different categories and treated accordingly.

Less encouraging for the air express industry in particular is that hopes that the advent of the European Community single internal market would open up opportunities for customs clearance of incoming international traffic at central hubs could be dashed, at least in the short term, by operational and VAT-related problems.

Initially, customs authorities worldwide were generally slow to react to the rapid growth of the international express industry and reluctant to change their clearance procedures to meet its special needs.

However, over the last three years or so the authorities have begun to introduce procedures designed to simplify and speed up such operations. But the express industry still believes there is room for substantial improvements, a view supported by Mr Georg Gotschlich, director of the Brussels-based Customs Co-operation Council which co-ordinates customs activities and developments worldwide.

"The new procedures demanded by the fast-growing express industry require a quick and positive response from customs. The customs response is already there but it may be in the interest of customs to go further to meet the challenges. The new procedures formulated for the express industry today may be the forerunner of standard customs clearance procedures of the future." Mr Gotschlich told the recent World Express 90 conference in New York.

Putting words into action, the CCC is looking at the question of EDI and its impact on the customs procedures for express traffic.

In that context, the secretariat has this year been asked to identify the data exchanged between operators and customs; to determine whether the data required is the same for the different categories of consignments; to identify the minimum data for release to be granted; to determine whether existing data meets the requirements or whether amendments were needed; and to consider the possibility of affixing the essential data to the consignment to speed up the procedure, although without drawing up new forms.

The CCC secretariat is looking into dividing consignments into four categories (documents, no value, low value and other), since this could have an effect on the information and documentation required. For example, goods classified as documents or low value items could be released on minimum information.

However, the CCC has decided that because of differing economic conditions around the world it would be impossible to impose common value limits for different categories of express consignment in respect of the duties and taxes to be levied.

In addition to the points covering customs clearance of express industry shipments which the CCC has agreed to study, a number of other issues are likely to be discussed.

Among the ideas in that category is the possibility of affixing the essential data to express consignments in the same way as is done for postal service parcels.

Such a procedure would enable customs to initially categorise consignments into the four categories so enabling customs to segregate the bulk of the consignments which normally would qualify for expedited clearance on the basis of minimum documentation. This procedure is attractive because it does not make it necessary to draw up new forms which should be avoided if facilitation is the goal, added Mr Gotschlich.

Express industry hopes that creation of the single market will pave the way for carriers to customs-clear incoming consignments at a central hub appear to be threatened by the issue of VAT.

Mr Maurice Walker, head of the European Commission's Unit Computerisation and Data Processing DGXXI told a recent express industry conference that while community goods would be able to pass from one member state to another without the need for documentation or procedures after 1992, transit procedures would still be required for imported, third country goods which had not been cleared at the point of importation.

The express industry says there is room for more improvement

Express carriers would then in theory have the option of continuing to clear goods at the member state of destination or opting for release and clearance at a central hub. However, said Mr Walker, there were two disadvantages if the latter was chosen.

First, there was the potential degradation of delivery times. If an aircraft landed at a hub with an importation and the customer awaited clearance at that point and for some reason the clearance was delayed and the onward transport was missed, the customer suffered a degradation in time. So that option needed careful thinking about, said Mr Walker.

The other factor which had to be borne in mind, continued Mr Walker, was the uncertainty concerning the VAT rules after 1992. VAT after that date would be destination-based, not origin-based. The Commission advocated the latter but had lost the argument and member states had asked for destination based VAT.

There was still a lot of uncertainty as to how that system would be applied and what machinery would be used, Mr Walker said.

From the express industry point of view, a situation could arise where a customer had customs clearance at the hub and then had to pay VAT at the point of destination – not exactly the most clever way of handling an express carrier's type of operation, he said.

That is why I feel you may stay with the status quo, said Mr Walker.

Phillip Hastings

PROFILE: Federal Express

Unworried by challengers

FEDERAL Express, the Tennessee-based international courier and express carrier, is unworried by a possible challenge to its business by DHL International.

The US company is confident its fleet of distinctive purple and orange aircraft can withstand competition posed by the deal signed last month by DHL, Lufthansa, Japan Airlines and Nissho Iwai, a Japanese trading house.

Federal Express admits, however, it is bleeding profits because of its $895m purchase last year of Tiger International and its Flying Tiger subsidiary, which was then the world's largest cargo airline. Flying Tiger brought with it a fleet of Boeing 747s and landing slots at Japanese destinations.

Mr David Wilcock, UK managing director of Federal Express's international division, says his fly-by-night group lost heavily on the Flying Tiger acquisition because it did not anticipate the problems of onward services by wide-bodied jets on an overcrowded US flight network.

Analysts estimate that Federal Express has been weakened and its after-tax foreign losses are running at about $150m in the fiscal year ending in May and are expected to be about $100m next year.

Against this background, Federal Express is not in a position to contemplate large new acquisitions to rival the European moves of TNT, which has signed operating deals in the Soviet Union, Hungary and Yugoslavia.

The company is better placed to exploit the Asia Pacific region than its competitors, according to Mr Wilcock. Federal Express does not view expansion with the optimism of groups such as TNT, which has invested heavily on the other side of the iron curtain. But Mr Wilcock regards east Europe as an opportunity for future investment.

He says Federal Express is going to concentrate more on its core business as a small package distributor and not compete for what he calls "spurious" acquisitions in Europe. The company will not be buying into European competitors because they do not fit into its business plans. He thinks TNT was over-charged for the Pan-European parcels company XP. "It was offered to us first, we offered $50m. TNT paid $70m."

One of the core areas Federal Express would like to expand is its Systemline operation which is running in five areas of eastern Europe and throughout western Europe. It provides international distribution centres which are basically large warehouses where goods can be held in tax-fee storage.

David Wilcock

Mr Wilcock does not expect the big four, Federal Express, UPS, DHL and TNT, to encroach on each other's business. He predicts a polarisation of activities into niche areas where success is guaranteed.

Federal Express has invested in Home Delivery Service (HDS), a UK mailing service, to establish a foothold in the home delivery market. It runs the mail service which has the contract for the pools company Littlewoods, as a second network to its package operations. The company has stopped using a contracted agency to deliver in Australia and has started its own service.

Another area where Federal Express would like to establish new services is as a broker in distribution, acting as an agency for clients and selling space on air freight routes as a third party business. For example, Mr Wilcock would like a businessman who wants to move a package from Paris to Rio in a hurry to be able to use Federal Express, which would then arrange for it to be on that night's Air France flight.

Mr Wilcock calls such services "bolt-on extras." He predicts Federal Express will "concentrate on the services we're good at: the small package and heavyweight market."

Tim Burt

THE 1990s are likely to see a showdown in the international express industry, with the main share of the business being consolidated in the hands of a few large, global operators offering integrated door-to-door delivery services.

What is open to debate is who those survivors will be. Meanwhile, the rationalisation process is under way.

Notable international developments last year included the acquisition of XP Express Parcel Systems, the intra-European delivery specialist from KLM, the Dutch national airline by TNT, the Australian-based transport group; the acquisition of IML, the UK international courier organisation by US-based United Parcel Service (UPS) and the acquisition of Emery Worldwide by fellow US company Consolidated Freightways. On the UK domestic scene, City Link Transport was bought by stock market-quoted services group Securiguard.

This year, a consortium including Japan Air Lines and West German airline Lufthansa agreed to take a stake in global express company DHL Worldwide. The reportedly $500m deal, signed last month, will enable those two carriers and Japanese trading company Nissho Iwai to jointly build up a 57.5 per cent stake in DHL over the next 18 months.

One of the factors behind DHL's decision to tie-up with JAL and Lufthansa was the company's desire to secure sufficient aircraft capacity to support its international delivery service development in important markets. Mr Patrick Lupo, DHL chief executive officer, highlighted that problem area at the recent World Express 90 conference in New York.

Air express will help to provide the rapid circulation of trade needed in the new market places of Europe, North America and Asia Pacific. One important proviso here is that air express needs the help of the leading airlines in increasing capacity between Asia Pacific and Europe and between Asia Pacific and North America, he said.

Most express industry observers believe that such is the scale of resources needed to secure sufficient capacity and compete globally, that the sector will see further substantial rationalisation. Mr John Mullen, TNT group general manager, believes that by the end of the decade, the world express industry will be far more structured.

There will be fewer players in the industry and those that remain will be bigger and stronger. The ever-widening gap between the big players and the also-rans will be an even greater gulf. There will be no room for the smaller integrator, he claims.

An Emery Worldwide DC-8 which is used between Manchester International Airport and Emery's sorting centre in Dayton, Ohio

Phillip Hastings assesses the leading express operators

A question of survival

Domestically, though, there will always be room for niche operators. There will probably be room for the smaller forwarders too, simply because a forwarder specialising in a particular area can usually provide a high level of service.

TNT looks to be one of the companies which will remain among the front rank of international express service organisations. In addition to its home region of Australasia, the company has developed a strong presence in Europe where it now uses a mix of air and road transport operations to provide express delivery services throughout western Europe and, increasingly, in the Eastern Bloc.

North America and specifically the US are the strongest markets for most of the other companies considered to be in the big league of international express operators such as Federal Express, United Parcel Service, Emery Worldwide and Airborne Express.

Federal Express, which began operations in 1973 as a US domestic parcels carrier, last year bought Flying Tigers, a leading US cargo airline for $880m. The subsequent merger of the two operations has created what is said to be the world's largest full service, all-cargo airline with an operating fleet of some 330 aircraft.

This acquisition enables Federal Express to offer large wholesale capacity to freight forwarders as well as meeting many of its own express service needs.

However, the acquisition has helped to put a dent in the company's financial results for the quarter which ended February 28 this year – net income was down from $24.8m in the same quarter the previous year to $5.2m.

As far as European express delivery activities are concerned, Federal Express has a particularly strong position in the UK domestic market gained through the acquisition in 1986 of the former Lex Wilkinson transport operations but it has made slower progress than was hoped in continental Europe.

United Parcel Service (UPS) is conspicuously absent from the UK domestic market. That absence looks set to be remedied by early next year either through company acquisition or the establishment of its own operation. The intention, says UPS, is to concentrate on the market for parcels up to 31.5kg, where the company would provide overnight and two to three day delivery services.

UPS is also looking at the idea of developing daily or near-daily direct freighter operations between the US and the UK. The company operates six DC8 freighter flights a week between the US and its main European air hub at Cologne, West Germany. Like Federal Express, UPS built its $12bn a year business in the US domestic sector but over the last couple of years in particular has expanded its operations worldwide.

While much of the UPS international expansion has come recently, Emery Worldwide was one of the first companies to develop worldwide express services, building on its well-established role as an air freight forwarder.

However, the US company found it difficult to successfully combine the two types of business and was taken over last year by Consolidated Freightways, a US transport organisation, in a deal worth $230m.

CF has also found it hard to establish a successful identity for Emery, a point acknowledged recently by Mr John Zarras, vice-president system operations.

"There has been a misconception about Emery's business strategy. While we remain the leading carrier of heavy industrial freight, we also have the ability to move any size or weight of shipment to any business address in the world. One of our main goals is reclaiming that small package business and making it grow," he said.

Emery is pushing through a series of service improvements to try and develop additional business. Moves have included a schedule integrity programme which, it claims, has virtually eliminated flight delays for its own aircraft operations in the US; a $35m enhancement of the company's management information systems; and a $38m investment in new pick-up and delivery vehicles. Emery is seeing considerable reorganisation and rationalisation in a bid to improve a struggling financial performance.

Far less prominent in terms of international express services is Airborne Express, the US-based company. Its low profile is likely to change over the next few years and a growing number of express industry observers believe that Airborne may eventually emerge as one of the successful big league express operators, having at one time looked like a takeover candidate.

Airborne is best known for its US domestic overnight delivery operations and international air freight services, but has this year begun to substantially raise its profile in the express market.

Specifically, the company is the driving force behind a new global express consortium being set up. Overseas Express Carriers, as the group will be known, initially comprises companies from five larger world markets in the US, Canada, the Caribbean and Latin America, Africa, and the Middle East. The OEC group wants a presence in Europe and Japan where Airborne is overseeing developments.

Unlike some of its competitors, Seattle-based Airborne appears to be doing well financially. Results for the first quarter of 1990 included an increase in net profits over the same period in 1989 of some 120 per cent – from $2.66m to $5.88m. Revenue for the first quarter of this year was up by 25 per cent to $272m.

However, probably of rather more significance as far as Airborne's expansion plans are concerned was a multi-million dollar agreement signed with Japanese trading house Mitsui at the end of 1989.

Part of that agreement included a commitment by Mitsui to provide Airborne with up to $100m over five years for aircraft financing. Airborne is expected to announce details of some aircraft acquisitions within the next few months.

Paul Abrahams looks at post office strategies

Parcelforce leads the counter-attack

POSTAL administrations in Europe are facing tricky times. Express delivery and courier companies are creaming off some of the most lucrative business in the rapidly growing small parcels sector where the postal administrations are not protected by their monopolies. And at the end of the summer, the administrations' letters monopoly may be challenged when the European Commission in Brussels is due to deliver its green paper on deregulation of community postal services after 1992.

The postal administrations are not taking these threats lying down. In the parcels business, at least, the European postal administrations are counter-attacking.

Two years ago, most of the European administrations, together with the post offices in the US, Canada, Japan and Australia linked together to form Unipost. The object of Unipost is to co-ordinate the express and time sensitive activities of the member administrations, setting up tracking and quality control procedures.

The Unipost services are to be branded under the name of EMS (Express Mail Services) and are designed to compete with the activities of TNT and DHL of Australia, and the US company Federal Express, as well as other carriers such as Securicor Express in the UK.

The main challenge faced by the postal authorities is to internationalise their operations. At present most of the express services operated by the postal administrations remain domestically orientated. It remains to be seen whether the EMS branding will be able to compete internationally with the advertising budgets of the Australian and US courier companies.

Nevertheless, in the vanguard of the European postal administrations' counter-attack is the UK Post Office's Royal Mail Parcelforce which was created earlier this year from Royal Mail Parcels.

The UK organisation set up at a time when the UK Post Office was facing increasing competition in the domestic small parcels market from Federal Express of the US and Australian-based TNT. Local operations run by Parceline, Interlink Express, City Link and Red Star were also taking market share.

"Although Royal Mail Parcels was the market leader in the UK, we were very much taken for granted," explains Mr Christopher Kalla-Bishop, the commercial director of Parcelforce.

"Despite having 12,000 employees, 30 per cent of the UK market and a turnover approaching £600m, of which 95 per cent was with business customers, we still had an image of being the carrier of grand-mothers' bulky Christmas parcels," he says. "Our market research suggested that despite our position, few people mentioned the service unprompted."

The Parcelforce organisation no longer considers itself to be part of the Post Office

The new organisation is designed to present a common face to its business clients, pulling together the confusing range of services previously offered, explains Mr Kalla-Bishop.

Previously, customers had to deal separately with Datapost, the postal parcel service and the international side of the business. Instead, with Parcelforce, they now have a one-stop solution, says Mr Kalla-Bishop.

The operational side of the business is being disentangled from the letters business to increase cost-efficiency and improve the quality of service offered to customers. The sorting equipment and distribution network required by letters and parcels is very different.

"Parcelforce is operating in a competitive environment with no monopoly protection," says Mr Kalla-Bishop. "That means we cannot afford to stand still. We have to invest."

The company has launched an impressive investment programme worth £80m over the next three years.

Parcelforce aims to set up a further 150 distribution centres for collection and deliveries. The vehicle fleet is being expanded by 6,000 vehicles to 10,000 over the same period. And the organisation's tracking and tracing systems are being extended to provide added-value for clients.

Mr Kalla-Bishop believes the quality of service offered by Parcelforce in the UK is unsurpassed. He says it offers the only international service with guaranteed reliability at no extra charge with free comprehensive insurance.

Meanwhile, Parcelforce is keeping its corporate lips sealed about the possibility of it joining the long list of nationalised companies already privatised.

Privatisation would be dependent upon the next UK general elections, but whatever their result Parcelforce no longer feels itself to be part of the Post Office.

On meeting Mr Kalla-Bishop, his first words were to the effect that he did not see himself as part of the Post Office.

"I know nothing about the Post Office, other than it delivers my letters," says Mr Kalla-Bishop who joined Parcelforce three years ago from the private sector.

Nick Nelson, managing director, Royal Mail Parcelforce

Contract distribution: better service for the individual

Dedicated to the customer

THE increasing sophistication of modern-day distribution demands is encouraging leading express parcel delivery companies to develop customer-dedicated operations in addition to common-user services.

TNT, Federal Express, Parceline and United Carriers International are prominent among the parcels delivery companies which have established separate contract distribution divisions while other express carriers such as Lynx Express Delivery Network are expanding the scope of their common user operations to offer services geared more specifically to individual customer's needs.

The development of express parcel companies in the field of contract distribution is highlighted by the rapid growth of TNT's contract distribution division which has quadrupled its revenue earnings over the last couple of years.

TNT wants to develop international contract distribution operations. TNT's increasingly high-profile pan-European contract distribution division has won several contracts and according to Mr Brian Bolam, TNT's newly-appointed general manager for contract distribution in Europe, more business is in the pipeline.

"We are looking at multilocation distribution in various countries and in many cases a requirement for a primary distribution system to connect them," Mr Bolam said.

Alan Soper of Lynx (left) and Brian Bolam from TNT

Many of the contracts under discussion, continued Mr Bolam, would involve TNT working for a customer in more than one country.

"I would say that some 20 per cent of the contracts involve full-blown pan-European requirements. The others tend to be domestic but with a requirement to move the products from the point of manufacture or import," he added.

TNT is looking to develop contract distribution operations in the US and according to Mr Bolam, negotiations are under way with a number of leading potential customers.

Meanwhile, Federal Express, the US-based parcels carrier is using the experience of Systemline, its established UK contract distribution division, to start building up international operations in that field.

"We are looking to Systemline as teachers. Contract distribution in the UK is head and shoulders above US operations," said Mr Fred Smith, founder and president of Federal Express. His company has used Systemline to set up a logistics management operation in the US for IBM.

In the UK, Systemline operates some 30 main contracts with an average value of about £500,000 a year. The largest is worth some £4.5m. Following the acquisition last year of two continental transport companies, Elbe of West Germany and Transport Groep Alvracht of the Netherlands, Federal Express is looking to develop general European logistics management operations.

Last year saw another leading UK parcels carrier, United Carriers International, set up a new company to develop contract distribution business. UCI, which is UK-based, handled some contract distribution work prior to the move but decided to formalise that business through the establishment of United Carriers Contract Services.

The intention, says Mr Allan Binks, UCI chief executive, is to build up the sort of contractual business which develops naturally from the group's existing network services such as those of parcels carrier division, United Carriers.

Mr Binks claims that UCI is well placed to develop contract distribution activities because the group has a wide spread of operations in that field. These include the United Carriers UK parcels collection/delivery network, the distribution/warehousing facilities of Robson's Distribution Services, and European transport services run by Thompson Jewitt International from its Sutton International Freight Terminal, Nottingham.

The UCI move to establish a contract distribution company followed hard on the heels of an announcement last September by parcels carrier Parceline that it was setting up a similar operation under the name LineLogistics. The intention, said Parceline, was to offer customers their own distribution operations based on the most suitable combination of dedicated vehicles and the existing Parceline delivery network. However, more recently, Parceline has appeared to switch its focus of attention for contract distribution developments to continental Europe.

The latest UK parcels company to launch a new venture aimed specifically at developing tailor-made distribution services for customers is Lynx, which is owned by NFC. Last month, the company announced it had set up an operation called Specialist Services to provide tailored solutions to the complex problems of large users of transport and distribution services.

Lynx Specialist Services aims to provide customers with an individual distribution package using a mix of suitable elements from the company's range of guaranteed delivery options, dedicated vehicles, contract management, remote collection service and the Lynx Manager II computerised system.

Mr Alan Soper, Lynx managing director, says the new service is designed to offer users flexibility and choice by using the Lynx parcels delivery network as a core and complementing it with bespoke solutions. "Lynx is no longer just in the business of selling standard parcel distribution products. Off-the-shelf distribution packages are set to stay quite firmly on the shelf," he said.

Phillip Hastings

Della Bradshaw examines electronic data interchange

Wrapping up the paperwork

THERE can be few businesses that handle as much paperwork as those involved in import and export. From the customs documentation to the bills of lading, and the confirmation slips to the invoices, it takes 25 or 30 documents to handle just one export load.

The amount of paperwork makes the courier, freight forwarding and shipping industries ripe for computerisation. And that is what is happening.

They are beginning to take advantage of electronic data interchange (EDI), a service which is widespread in the US and is growing rapidly in Europe, particularly the UK. EDI involves sending documentation from one company's computer system to another's, doing away with the need to produce a paper version of the document. Because each document conforms to an agreed messaging format, it can be transmitted between computers from different vendors.

EDI has found particular favour in the retail sector – so food shops can quickly order more salad items, say, when there is a short spell of warm weather – and in the manufacturing sector.

The potential for EDI to alter the export business, particularly freight forwarding, is large. "EDI is probably the single most important factor which will affect freight companies over the next few years," says Mr Jim White, director general of the British International Freight Association (Bifa). "EDI will do for freight forwarders what the container did for the shipping industry."

Although EDI is growing rapidly, sending documentation across international frontiers is an area which has not been widely exploited. But that, too, is changing.

The representative body of the freight forwarding organisations in Europe, Fiata, has plans to allow the electronic transmission of documents between countries. It has agreed with Sita, which runs the communications network for the world's leading airlines, to use its network for sending the paperwork.

Many of the large international delivery companies, such as DHL and TNT, already receive and send much of their internal documentation, between their own international offices, electronically, as do most large companies.

The amount of paperwork makes the courier, freight forwarding and shipping industries ripe for computerisation

They are working on getting the information from their clients electronically as well, and developing a true EDI service. That could be over the ordinary phone line or by using one of the commercially available EDI networks, such as those run by International Network Services and AT&T Istel in the UK.

A typical scenario, says Mr Peter Brougham, systems director for the air and hub region of DHL, in Brussels, would be if a customer in one European country wanted to send a package to another. The details to produce the accompanying paperwork would be keyed in by the customer in his or her office, and then sent over the telephone line to the local DHL office.

From there it would be transmitted to the DHL export gateway, and from there to the DHL centre in the importing country. That office would then send the paperwork to the appropriate authorities such as customs, all electronically.

The data sent between DHL offices uses a proprietary format but Mr Brougham says the company is in the process of adopting the international EDI message formats approved by the United Nations, known as the Edifact standards.

One of the problems with these international standards is the time it takes to get them approved, particularly for specific industry sectors.

Mr Bob Pluck, UK manager for EDI business development with the West German shipping line Hapag-Lloyd points out that although six documents have been specifically designed for the shipping industry – such as provisional and firm booking forms and shipping information – it is unclear if, or when, they will be approved. These International Forwarding Transport Messages, as they are called, are going through the Edifact approvals procedure.

For the big companies, such as TNT or DHL, one of the big advantages of EDI is speed. The large forwarders and shippers are even hoping to get to the position where the paperwork for a load can be cleared by the importing country before the shipment itself actually arrives. That would mean as soon as the ship docked or the aeroplane landed the load could be whisked away to its final destination.

There are other advantages to EDI.

Typing documents and trusting them to the post or the courier is expensive. And with mountains of paperwork comes a large leeway for error. More than 50 per cent of documentary credits – one of the pieces of paper used in the export business – have to be sent back because the information is inaccurate, says Mr Roy Assersohn, chief executive of Trade Network International (TNI), of London.

TNI is launching an EDI service for freight forwarders this month in conjunction with Bifa. Subscribers to the service, called the Freight Forwarders' Network, will be able to send at least some of their documents electronically.

One of the main aims has been to introduce a service with few upfront costs, according to Mr White, who says that 50 per cent of Bifa's corporate members employ less than 10 people. "All they need is a PC and a modem and then they pay as they go," he says.

At the outset TNI is offering 11 standard document formats for such things as freight invoices, bill of lading and shipping instructions.

Exporters using the service sit down at their terminal or personal computer and slot the information about the shipment from their computer records into the standard document produced by the TNI software.

This is then sent at the press of a button using a combination of national and international packet switched data networks or leased lines to the freight forwarders, shippers or airline companies. They, in turn, can send the documentation to the importers or recipients of the goods.

The electronic document may travel in a data format or can appear as a facsimile message in the recipient's office. It can even arrive as a telex message in countries where this is most effective.

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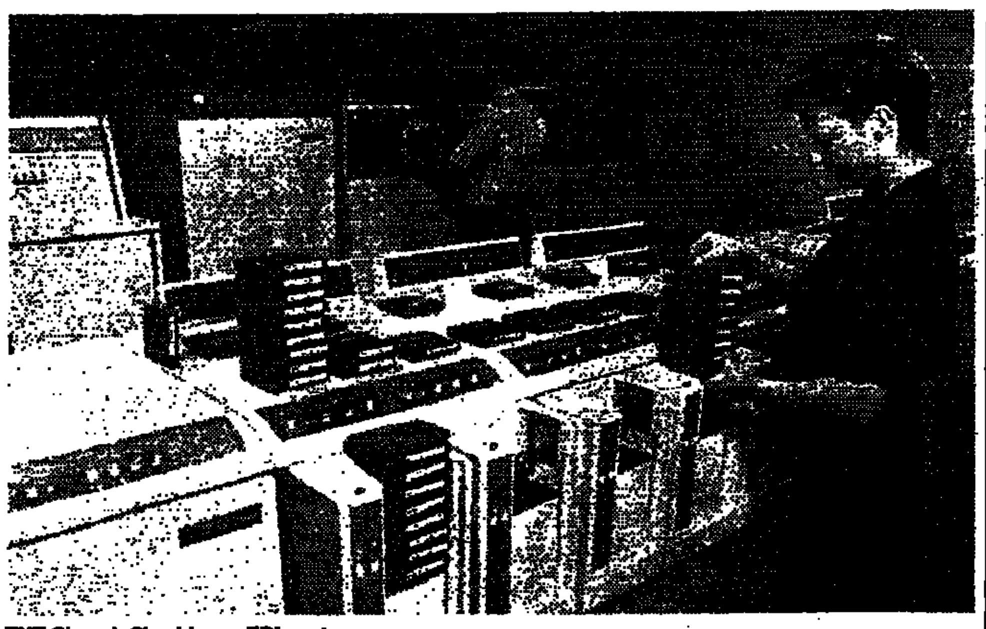

TNT Skypak Skyshipper EDI system

Paul Abrahams on technology requirements

A double revolution

A DOUBLE revolution is taking place in the courier business.

New technology is changing the quality and type of services that companies can offer to clients. But the cost of that technology is so high that only the largest companies can afford to acquire it. The result is that the requirement for technology is accelerating the trend towards rapid rationalisation in European market.

"In the last three to four years, the business has been transformed by technology," says Mr Mike Hurt, head of management information at DHL in the UK and Ireland. "Quite simply, it's no longer possible to get an international air express business off the ground unless you have the technology for a tracking and tracing system."

The demand for such technology is customer-led. The trend of manufacturing companies towards flexible manufacturing systems, just in time logistics and MRP II, together with the increase in interest rates throughout Europe, has accentuated the need to keep down inventories.

That, in turn, has increased the requirement for rapid and reliable distribution operations.

"Market pressure is driving us towards picking up items later, and delivering them later," explains Mr Hurt. "And there is a physical limit to the amount of time you can save by throwing people at a problem – in the end you can't make those time savings without investing in technology."

Much of the investment has been in the field of tracking and tracing automatic identification equipment. At some stage after the package or document is picked up, its details are collected, normally via bar-code and a hand-held scanner, and sent electronically to a central computer.

At various stages of its journey, the package is scanned again, allowing the company to identify where it is.

"The customer isn't really interested in the technology," admits Mr Christopher Kalla-Bishop, commercial manager at Parcelforce, formerly the Royal Mail's parcels service.

"All he or she is interested in is whether the package is going to turn up on time. With tracking or tracing, we can be in the situation where we can ring them to warn them before they ring us to complain."

Another important application of automatic identification technology linked together with electronic data interchange is that the express services companies can provide customs with information about items before they arrive. This means that companies such as DHL and TNT estimate that between 80 to 90 per cent of packages arriving in the UK are cleared by customs before they arrive.

Alan Watson

"In the end all the carriers use the same flights," says Mr Hurt at DHL. "The only way to differentiate in terms of speed of delivery is to improve the service at airports and on the ground – and that isn't possible without substantial investment in technology."

One final advantage of tracking and tracing systems is that it allows the company to carry out internal audits. By adding extra scanning points, companies can monitor how long a package takes at each stage of its journey and so identify bottlenecks.

At DHL, the company used this technique in London to spot the need for two buses on which they have between six and eight couriers sorting items before delivery. The time the packages had previously spent at this stage of the journey had been dead and wasted.

Not all of the technological investment is directed towards tracking and tracing. It can also be used to add value to the customer.

DHL has developed a software system for high-volume clients which runs on a simple 286 personal computer with 20 Mbytes of memory.

The systems weighs the package, draws the adressee's details from the programme and then automatically prints out the air bill. The client is provided with management information and is able to bill each department within the organisation separately.

The system is much faster than filling in the forms by hand and is also less liable to be misread and mis-routed. The Standard Chartered Bank in the City of London has been able to halve its personnel dealing with courier services.

For DHL, the advantages are that the system ties in clients in to the company, provides daily invoices and, in 90 per cent of cases, increases the amount of business from the client. Naturally, there is a down-side to all this technological investment.

"The problem with the technology is that the cost is huge – and it doesn't stop, you just have to keep spending millions," says Mr Alan Watson, managing director of TNT Express Europe.

New technology is changing the quality of the services offered

The implications of the cost of the technology is that it is increasingly only available to the larger companies in the sector, particularly if they want to compete on an international basis. And in turn that will accelerate the tendency in the sector towards rationalisation.

SECURITY

Drugs hinder customs plans

EXPRESS COMPANIES fear that the growing problems of terrorist activity and drugs smuggling may seriously jeopardise their efforts to secure faster customs clearance of their shipments, particularly those moving by air.

Most of the public talk by customs authorities and the express industry over ways of combating security threats and the menace of illegal drugs trafficking stresses the need for mutual co-operation. However, both sides agree that if voluntary co-operation fails to produce satisfactory results, more specific measures are likely to be taken to tighten up checking procedures.

A vital factor in the battle to stop terrorists and drugs smugglers using air express and air freight services generally, agree all parties, is proper training of staff.

Support is growing for the idea that development of security safeguards should become mandatory for companies involved in air express and general air cargo activities. One of the latest calls for such a move came at last month's World Express 90 conference in New York from Mr Walter Greiner, a senior security official with the US Federal Aviation Administration.

"Regulations should be developed to require indirect cargo air carriers to adopt and carry out an approved security programme. This programme must be designed to prevent and deter persons from knowingly or unknowingly introducing any unauthorised explosive, incendiary or similar destructive device into the air cargo system," he said.

"This security programme should parallel the air carriers' cargo acceptance procedures. Compliance with all of these standards should be monitored as a regular part of the appropriate air carrier station inspections."

Approved cargo security programmes, continued Mr Greiner, should require that if cargo is accepted from other than known shippers – that is, an individual or organisation with an established shipping account and a previous record of shipments with that carrier – the person delivering the cargo must show personal or company identification, preferably a picture identity card. Such cargo should also undergo more stringent security measures.

"If there is any suspicion on the part of the air carrier, or if the shipment is delivered by a third party, the cargo should be either inspected physically, held for 24 hours prior to despatch, or refused. The 24-hour hold provides an extra level of safety by making it more difficult to target a specific flight," he added.

European customs authorities and express service operators claim they do not envisage new legislative or punitive measures being introduced worldwide to force carriers, agents and express service operators to introduce new security measures. However, they admit some countries are becoming so concerned about security matters that they may rescind or slow down new measures designed to simplify and speed up the clearances.

A vital factor in the battle to stop terrorists and drugs smugglers using air services is the proper training of staff

The Customs Co-operation Council, the Brussels-based body which co-ordinates international customs authority activities, warns that unless carriers and agents are more responsible and co-operate more with customs on how they document and control their consignments, check their personnel and run their internal security better, there is a risk that industry hopes for faster clearance systems for express and air cargo will go by the board and that more consignments could have to undergo physical inspections.

Mr Patrick Byron, chairman of the the UK-based Association of International Courier & Express Services, says co-operation with customs on matters such as drugs is more than just a moral issue.

"Express traffic relies upon rapid clearance through customs. If the industry can demonstrate its active and effective participation in the fight against drug trafficking by applying its own preventive controls, this in turn should influence customs in their assessment of the risk posed by express traffic," he said.

In addition to tightening up on clearance procedures, express industry observers also fear that if customs authorities are not satisfied with the security side of their business, they could decide to make greater use of their existing powers to seize aircraft, vehicles and even ships suspected of carrying drugs, terrorist equipment and other smuggled goods.

Although most attention is focused on air transport operations, the problem of drugs smuggling in particular is also being felt in the road transport sector. Mr Garry Turvey, director general of the UK Freight Transport Association, said recently that some 44 per cent of all illicit drugs entering the UK come from other European Community countries. Increasingly, they were being smuggled in lorries, vans and trailers.

"Sometimes the drugs are in the load; more often they are in the inner depths of the vehicle itself. Regretfully, the growing menace of drugs will mean that freight traffic will be subject to spot inspections and consequential delays," he said.

One point holding back some express companies from introducing stricter security is the fear that if they are too conscientious and efficient on security matters, certain shippers might take their business elsewhere because they cannot be bothered to comply with the regulations laid down or they find it is more expensive to use a company which has proper security checks. They also fear that instituting their own thorough security procedures could slow down the handling of goods.

According to the CCC, though, those problems will largely disappear when customs treat all those companies they can trust in a way that their merchandise is cleared speedily, while other carriers and shippers are more closely controlled. The implication is quite clear – comply with the security guidelines suggested by customs or risk having your traffic held up for more detailed clearance checks.

Another increasingly important aspect of security which needs to be carefully studied by express companies is that of insurance and legal considerations. In the EC, for example, there is a lot of interest in the context of the planned single internal market and the resulting legal position with regard to, for example, transport and transit insurance. Coupled with the increasing demand from shippers for quality services, insurance considerations are likely to further increase the pressure on carriers to make sure their security is in order.

Indications are that if efforts to secure greater co-operation from the airline and express/freight industries in the fight against terrorists and drugs do not produce sufficient results, then customs authorities may well exert pressure in the form of slower clearance procedures for consignments they feel they cannot trust. In the same context, customs may also insist on increased physical searches of cargoes and institute more seizures of suspect vehicles, aircraft and ships.

Phillip Hastings

REMAIL

Hybrid aims for faster post

REMAIL HAS evolved into a high growth business in the express market sector over the past few years and is estimated to be a $3bn industry.

Designed primarily for companies for whom international mail is a main item, Remail aims to provide less expensive yet often faster transfers than the international mail services operated by the post offices.

Remail is a hybrid express and postal service provided by a few specialist remail companies and a growing number of express operators who view the service as a natural adjunct to their core business. The industry has annual growth rates estimated between 30 and 60 per cent.

In its initial form when Remail was pioneered by KLM and the Dutch Post Office in the mid 1970's, it was a part of a comprehensive mailing house type service designed for periodical and magazine publishers and eventually for other large users of international mail services such as credit card companies. Similar operations embracing Remail continue to concentrate on the publishing and direct mail market although often the operators are not Remail companies as much as mail consolidators who enter into bulk airmail contracts with their national post offices.

Remail involves the collection of international mail in one country for bulk transportation to another country where it is given to the post office to complete the forwarding and delivery, regionally or world wide.

Services have flourished as a result of some fundamental flaws in the international postal system not least the fact that international postal charges vary around the world so that sending mail from Belgium might be considerably cheaper than from the UK where the mail originated.

After a period of considerable uncertainty and insecurity with the constant threat of anti-competitive action by the Universal Postal Union (UPU), Remail has achieved a far greater degree of stability following the 1989 meeting of the UPU. With a divided membership that includes some post offices who make a healthy revenue from Remail and others who don't and are therefore opposed to it, the UPU finally reached a consensus to the introduction of a new formula for the Remail handling charge.

This charge, called Terminal Dues, was previously based on weight and took no account of content or number of items. In its new form, the charge more fairly reflects the actual work done by each remail participating postal authority. Since its introduction, a greater number of post offices have indicated their willingness to work with the private sector on Remail services including including the Soviet Union, East Germany and Hungary with whom TNT Mailfast is negotiating Remail contracts.

In competing to handle international mail, the private companies have as yet, barely scratched the surface of the large market. In the UK alone last year, the Post Office earned £300m from international mail. Through its own Remail service, Airstream, which it operates in conjunction with Securicor, the UK Post Office competes fiercely with the private remailers

In the private sector, TNT with its Mailfast product, is the market leader with an international Remail service embracing its own Remail centres in 40 Mailfast selling countries where it has contracts with post offices.

Of the growing number entering the Remail service arena, only a few are committed remailers with post office contracts. Others, often with express transport as their core business, provide Remail simply as a sprat to catch a mackerel and their involvement is restricted to collecting the mail from companies and handing it over to a specialist third party.

Remail involves the collection of mail in one country for bulk delivery to another

For the customer, the savings to be achieved through using Remail, vary from country to country. UK remailers claim to offer savings up to 35 per cent over normal postal charges. To qualify, a company will need an average of at least 10kg of international mail a week and some remailers will not collect less than 2kg at a time from customers. DHL says its customers range from companies sending 50 mailshots at a time to others sending 1,900kg of Remail a month.

As competition increases there is a growing disparity in Remail rates with the beginnings of a price war as companies undercut each other to secure business. Recent quotations for a bank's Remail business varied widely.

Having held the business at £8 a kilogramme for Europe and £13 for the rest of the world, Airstream (Post Office/Securicor) increased its rates to £9 and £14.50 respectively. The bank called for tenders from other companies and received quotations per kilo that ranged from £7.95 for Europe and £11.95 for the rest of the world to £8.50 and £14 as well as an £8.75 across the board quotation for all destinations from Scan Courier (owned by John Menzies) who won the business.

In spite of the increase in the number of operators entering the Remail market, there are still only a handful of specialists in the UK. These are the Post Office with Securicor offering Airstream, TNT Mailfast, DHL Worldmail, Deltec, Air Business, Scan Courier and Sky Mail. One of the few non-air express Remail specialists is Deltec. Ms Dianne Larsen, general manager, says that companies considering using Remail should carefully investigate the method of operation and ensure that the company has a contract or contracts with post offices and whether their facility allows for in-house processing, sorting and delivery directly to the post office and not to a middle man.

She said customers should expect better quality with a Remail service. These include better service at less cost, a faster return of undeliverable mail; and no postage pre-payment.

With more companies now using Remail services for international mail, many are looking for ancillary services and even for one-stop shopping with the Remailer taking over the company's post room operation through to final delivery by Remail or by hand domestically and abroad.

In addition to Remail, Deltec is providing hand delivery services in the City and in other countries. Unlike the courier and express document and despatch services, no signature is required.

Expanding its mail service range, TNT Mailfast which claims to handle 300m letters a year, recently introduced an international reply service alongside its Mailfast network.

Designed for the marketing and mail order industries, the Reply service enables companies to achieve the levels of response from international markets that they enjoy domestically.

Such a response can only be achieved by having a registered address in a foreign country which respondents reply to or by the respondents using international post.

TNT, with registered addresses in over 30 of its Mailfast selling countries, is offering the reply service via a post office box facility or through a business reply paid service.

As one of the only Remail areas in which the post offices do not, as yet, compete, TNT describes the new reply service as "potentially the biggest growth market TNT Mailfast and the international direct marketing industry has seen for some time."

TNT plans to continue to increase the reply service network progressively and "to develop additional services to provide our clients with one-stop shopping for all their international mailing requirements."

Anne Hunter

The Federal Express SuperHub, Memphis, Tennessee